

AUDITING PROCEDURES REPORT

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Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Livonia</u>	County Wayne
Audit Date November 30, 2005	Opinion Date February 14, 2006	Date Accountant Report Submitted To State: May 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy.	City Southfield	State MI	ZIP 48034
Accountant Signature 			

City of Livonia, Michigan

**Financial Report
with Supplemental Information
November 30, 2005**

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan (the "City") as of and for the year ended November 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Livonia, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of November 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress and employer contributions, postemployment benefit plans schedule of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Livonia, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

February 14, 2006

City of Livonia, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of Livonia, Michigan's 2005 annual report consists of four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplemental information, and (4) other supplemental information that presents combining statements for nonmajor governmental funds, proprietary funds, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that are intended to provide longer-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding for these activities.
- **Business-type Activities** - The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer system, golf course operations, and non-federal senior housing are treated as business-type activities.
- **Component Units** - The City includes two other entities in its report, the Plymouth Road Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which is issued on behalf of the authorities by the City.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. Other funds are established to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine if there are more or fewer financial resources available to spend in the near future to finance the City's programs.
- **Proprietary Funds** - Services that are intended to be entirely self-supporting by customer fees are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

In a condensed format, the table below shows a comparison of the net assets as of November 30, 2005 to the prior year.

Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	\$ 50.9	\$ 47.2	\$ 27.5	\$ 24.8	\$ 78.4	\$ 72.0
Capital assets	<u>163.4</u>	<u>161.6</u>	<u>82.9</u>	<u>82.4</u>	<u>246.3</u>	<u>244.0</u>
Total assets	214.3	208.8	110.4	107.2	324.7	316.0
Liabilities						
Current liabilities	16.0	9.2	5.5	3.5	21.5	12.7
Long-term liabilities	<u>44.8</u>	<u>54.3</u>	<u>14.4</u>	<u>17.6</u>	<u>59.2</u>	<u>71.9</u>
Total liabilities	<u>60.8</u>	<u>63.5</u>	<u>19.9</u>	<u>21.1</u>	<u>80.7</u>	<u>84.6</u>
Net Assets						
Invested in capital assets -						
Net of related debt	121.9	118.8	67.6	66.1	189.5	184.9
Restricted	22.3	20.0	21.9	19.4	44.2	39.4
Unrestricted	<u>9.3</u>	<u>6.5</u>	<u>1.0</u>	<u>0.6</u>	<u>10.3</u>	<u>7.1</u>
Total net assets	<u>\$ 153.5</u>	<u>\$ 145.3</u>	<u>\$ 90.5</u>	<u>\$ 86.1</u>	<u>\$ 244.0</u>	<u>\$ 231.4</u>

City of Livonia - Net Assets

The City's assets exceed its liabilities at the end of the fiscal year by \$244.0 million (net assets). However, a major portion (78 percent) of the City's net assets represents its investments in capital assets (e.g., land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these physical assets to provide services to its citizens. These assets are illiquid and not available for future spending.

Unrestricted net assets of the City increased from \$7.1 million at November 30, 2004 to \$10.3 million at the end of this year. The amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year, and as compared to the prior year:

Changes in Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 16.6	\$ 16.7	\$ 28.7	\$ 25.6	\$ 45.3	\$ 42.3
Operating grants and contributions	9.9	9.1	-	-	9.9	9.1
Capital grants and contributions	0.2	0.5	2.6	1.3	2.8	1.8
General revenue:						
Property taxes	51.7	50.0	-	-	51.7	50.0
State-shared revenue	9.2	9.2	-	-	9.2	9.2
Rental income and fees	1.4	1.4	-	-	1.4	1.4
Interest	1.9	0.9	0.4	0.2	2.3	1.1
Transfer and miscellaneous	(0.2)	0.6	0.5	(0.1)	0.3	0.5
Total revenue	90.7	88.4	32.2	27.0	122.9	115.4
Program Expenses						
General government	9.1	9.4	-	-	9.1	9.4
Public safety	33.1	34.0	-	-	33.1	34.0
Public works	23.0	23.5	-	-	23.0	23.5
Community and economic development	1.8	1.8	-	-	1.8	1.8
Recreation and culture	13.1	13.2	-	-	13.1	13.2
Interest on long-term debt	2.4	2.3	-	-	2.4	2.3
Water and sewer	-	-	25.2	23.3	25.2	23.3
Golf course	-	-	1.7	1.6	1.7	1.6
Housing	-	-	0.9	0.9	0.9	0.9
Total program expenses	82.5	84.2	27.8	25.8	110.3	110.0
Change in Net Assets	8.2	4.2	4.4	1.2	12.6	5.4
Net Assets - Beginning of year	145.3	141.1	86.1	84.9	231.4	226.0
Net Assets - End of year	<u>\$ 153.5</u>	<u>\$ 145.3</u>	<u>\$ 90.5</u>	<u>\$ 86.1</u>	<u>\$ 244.0</u>	<u>\$ 231.4</u>

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In reviewing the above table, it can be noted that revenues increased by \$2.3 million and expenses decreased by \$1.7 million. The significant factors impacting revenue include increases in operating grants and contributions (\$.8 million) and property taxes (\$1.7 million). The most significant factor impacting the expenses were decreases to personnel costs, caused by the hiring freeze which resulted in an additional 17 vacant positions.

Business-type Activities

Livonia has three business-type activities. These include the water and sewer system, the operating fund for the Fox Creek, Idyl Wyld, and Whispering Willows golf courses, and non-federal senior housing at Silver Village, Newburgh Village, and 13 scattered site homes.

The following table shows the operating income (loss) before contributions, transfers, and interest for each of these activities in the current and prior year:

(in thousands of dollars)

	Water and Sewer		Golf Courses		Housing	
	2005	2004	2005	2004	2005	2004
Operating Revenue	\$ 25,979	\$ 22,946	\$ 1,692	\$ 1,757	\$ 1,258	\$ 1,244
Operating Expenses	(24,874)	(23,503)	(1,734)	(1,730)	(749)	(970)
Operating Income (Loss)	<u>\$ 1,105</u>	<u>\$ (557)</u>	<u>\$ (42)</u>	<u>\$ 27</u>	<u>\$ 509</u>	<u>\$ 274</u>

Capital Assets and Debt Distribution

At the end of fiscal year 2005, the City has \$373.1 million invested, before depreciation, in a wide range of capital assets, including land, buildings, infrastructure, public safety equipment, computer equipment, and water and sewer lines.

Debt of \$41.5 million related to the construction of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the water and sewer system totaling \$10.7 million and debt related to the housing and golf course activities of \$4.4 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents construction of and improvements to existing water and sewer lines and improvements to the golf course and City residential rental facilities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Significant additions to capital assets during fiscal year 2005 include \$5.7 million invested in the construction of and improvements to roads and \$3.5 million invested in the construction of and improvements to water and sewer lines. There were no significant disposals of capital assets during fiscal year 2005.

The City's Funds

The fund financial statements begin on page 13 and provide detailed information on the most significant governmental funds - not the City as a whole. Funds are created to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2005 include the General Fund, Community Recreation Fund, and Refuse Disposal Fund.

The City's governmental funds reported a combined fund balance of \$31 million. This is an increase of approximately \$2.4 million for the year. The increases were caused primarily by ongoing cost containment efforts to restrain spending at a level below expected revenues.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget, primarily to prevent expenditures in excess of budget, as required by the State of Michigan Budget Act. The final amended budget included \$475,000 more revenue and \$500,000 more expenditures than the original adopted budget. The primary causes of the budget increases were a result of amending the General Fund budget to reflect better than expected interest income and building permit revenues, as well as an increased contribution to the Capital Improvement Fund.

Actual General Fund revenues were approximately \$851,000 below the final budget. Specifically, state-shared revenues were \$145,000 less than the final budget because of mid-year reductions implemented by the State of Michigan, court fine revenue was \$415,000 less than the final budget because collection of traffic fines was lower than expected, and miscellaneous revenue was \$646,000 less than the final budget because of reduced transfers from other funds.

Actual General Fund expenditures were approximately \$1.2 million below the final budget. All departments held expenditures below the final budget. Major savings were achieved by continuing an across-the-board hiring freeze that began in 2002. At year end, approximately 89 positions were vacant, resulting in nearly \$5.0 million in reduced wage and benefit costs city-wide.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years.

The majority of the City's revenue base is constrained by factors outside the City's control. Property taxes, state-shared revenue, and interest income total 69 percent of the City's total governmental activities revenue. Property tax revenue increases are limited to very small increases because of Proposal A and Headlee state constitutional limitations. The State of Michigan has experienced budget deficits and has significantly reduced revenue-sharing payments to local governments to help reduce their deficit. Interest rates that are extremely low have diminished the City's return on investments.

On the expense side, certain expenses continue to rise at a rate far in excess of inflation. In particular, health care expenses have continued their trend of double-digit increases. Hiring and capital outlay freezes, among other measures, have been implemented to reduce expenses to the level of available revenue. We are committed to living within our means, although the result may be diminished programs and service response capabilities.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance at the City of Livonia, 33000 Civic Center Drive, Livonia, Michigan 48154.

City of Livonia, Michigan

Statement of Net Assets November 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 40,047,670	\$ 14,821,868	\$ 54,869,538	\$ 959,312
Receivables:				
Taxes	156,831	-	156,831	-
Customers	-	9,482,317	9,482,317	-
Traffic fines	1,245,166	-	1,245,166	-
Special assessments	511,966	-	511,966	-
Workers' compensation	158,191	-	158,191	-
Due from other governmental units	3,899,266	-	3,899,266	-
Employees' Retirement System and VEBA	827,049	-	827,049	-
Other	747,279	301,212	1,048,491	-
Internal balances	131,387	(131,387)	-	-
Inventory, prepaid expenditures, and deposits	1,500,659	353,469	1,854,128	-
Installment contracts	-	664,056	664,056	-
Restricted assets (Note 8)	1,663,642	1,957,470	3,621,112	-
Capital assets (Note 4):				
Nondepreciable capital assets	34,181,310	6,085,042	40,266,352	474,448
Depreciable capital assets - Net	129,217,075	76,855,573	206,072,648	11,373,511
Total assets	214,287,491	110,389,620	324,677,111	12,807,271
Liabilities				
Accounts payable	4,077,544	374,906	4,452,450	131,009
Accrued and other liabilities	4,492,745	222,606	4,715,351	22,807
Deferred revenue (Note 13)	996,414	1,183,845	2,180,259	-
Due to other governmental units	-	1,776,219	1,776,219	-
Bonds and deposits	-	263,355	263,355	-
Noncurrent liabilities (Note 7):				
Due within one year	6,442,945	1,686,216	8,129,161	310,000
Due in more than one year:				
Bonds and capital leases payable	38,417,343	13,877,594	52,294,937	5,430,000
Compensated absences and insurance claims	5,681,654	485,319	6,166,973	-
Landfill closure liability	669,672	-	669,672	-
Property tax liability	-	-	-	515,939
Total liabilities	60,778,317	19,870,060	80,648,377	6,409,755
Net Assets				
Invested in capital assets - Net of related debt	121,858,838	67,573,021	189,431,859	6,107,959
Restricted:				
Community recreation	5,637,320	-	5,637,320	-
Municipal refuse	4,708,287	-	4,708,287	-
Street, roads, and sidewalks	5,369,835	-	5,369,835	-
Grants and SAD street lighting	196,059	-	196,059	-
Library	677,722	-	677,722	-
Public safety communication	2,031,082	-	2,031,082	-
Adjudicated forfeitures	1,405,503	-	1,405,503	-
Debt service	106,098	-	106,098	-
Court Building improvements	547,488	-	547,488	-
Drainage projects	116,210	-	116,210	-
Capital projects construction	1,580,657	-	1,580,657	-
Restricted for ordinance requirements	-	1,957,470	1,957,470	-
Water and sewer	-	20,012,962	20,012,962	-
Economic Development Corporation	-	-	-	2,450
Unrestricted	9,274,075	976,107	10,250,182	287,107
Total net assets	\$ 153,509,174	\$ 90,519,560	\$ 244,028,734	\$ 6,397,516

City of Livonia, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 9,088,326	\$ 3,989,904	\$ 109,160	\$ -
Public safety	33,123,818	6,285,120	2,087,560	-
Public works	23,003,607	1,535,905	6,321,441	176,856
Community and economic development	1,762,814	351,950	1,051,326	-
Recreation and culture	13,134,211	4,467,523	350,776	-
Interest on long-term debt	2,399,338	-	-	-
Total governmental activities	82,512,114	16,630,402	9,920,263	176,856
Business-type activities:				
Water and sewer	25,241,252	25,804,490	-	2,617,339
Golf course	1,658,331	1,687,500	-	-
Housing	945,056	1,256,301	-	-
Total business-type activities	27,844,639	28,748,291	-	2,617,339
Total primary government	<u>\$ 110,356,753</u>	<u>\$ 45,378,693</u>	<u>\$ 9,920,263</u>	<u>\$ 2,794,195</u>
Component units:				
Economic Development Corporation	\$ 300	\$ -	\$ -	\$ -
Plymouth Road Development Authority	1,565,906	-	794	-
Total component units	<u>\$ 1,566,206</u>	<u>\$ -</u>	<u>\$ 794</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted fees and other				
Interest				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities Year Ended November 30, 2005

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (4,989,262)	\$ -	\$ (4,989,262)	\$ -	
(24,751,138)	-	(24,751,138)	-	
(14,969,405)	-	(14,969,405)	-	
(359,538)	-	(359,538)	-	
(8,315,912)	-	(8,315,912)	-	
(2,399,338)	-	(2,399,338)	-	
(55,784,593)	-	(55,784,593)	-	
-	3,180,577	3,180,577	-	
-	29,169	29,169	-	
-	311,245	311,245	-	
-	3,520,991	3,520,991	-	
(55,784,593)	3,520,991	(52,263,602)	-	
-	-	-	(300)	
-	-	-	(1,565,112)	
-	-	-	(1,565,412)	
51,696,324	-	51,696,324	1,744,751	
9,235,983	-	9,235,983	-	
1,372,187	-	1,372,187	-	
1,889,654	389,445	2,279,099	25,061	
126,716	180,406	307,122	-	
(346,357)	346,357	-	-	
63,974,507	916,208	64,890,715	1,769,812	
8,189,914	4,437,199	12,627,113	204,400	
145,319,260	86,082,361	231,401,621	6,193,116	
\$ 153,509,174	\$ 90,519,560	\$ 244,028,734	\$ 6,397,516	

City of Livonia, Michigan

Governmental Funds Balance Sheet November 30, 2005

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Assets					
Current assets:					
Cash and investments	\$ 6,485,812	\$ 6,766,504	\$ 6,837,626	\$ 12,807,880	\$ 32,897,822
Receivables:					
Taxes	83,553	10,799	35,393	27,086	156,831
Special assessments	-	-	-	511,966	511,966
Workers' compensation	158,191	-	-	-	158,191
Due from other governmental units	2,007,482	-	-	1,891,784	3,899,266
Employees' Retirement System and VEBA	827,049	-	-	-	827,049
Other	685,848	127	14,387	46,917	747,279
Due from other funds (Note 5)	-	747	-	131,387	132,134
Inventory, prepaid expenses, and deposits	544,218	-	-	-	544,218
Restricted assets (Note 8)	-	-	-	1,663,642	1,663,642
Total assets	<u>\$ 10,792,153</u>	<u>\$ 6,778,177</u>	<u>\$ 6,887,406</u>	<u>\$ 17,080,662</u>	<u>\$ 41,538,398</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,115,280	\$ 138,487	\$ 1,463,132	\$ 1,360,645	\$ 4,077,544
Due to other funds (Note 5)	747	-	-	-	747
Accrued and other liabilities	4,081,331	64,083	17,847	130,108	4,293,369
Deferred revenue (Note 13)	260,384	938,287	28,468	526,913	1,754,052
Total liabilities	5,457,742	1,140,857	1,509,447	2,017,666	10,125,712
Fund Balances					
Reserved for prepaids and inventory	431,086	-	-	-	431,086
Reserved for capital construction	-	-	-	1,580,657	1,580,657
Unreserved - Undesignated	4,903,325	5,637,320	5,377,959	-	15,918,604
Unreserved - Reported in:					
Special Revenue Funds	-	-	-	10,795,659	10,795,659
Debt Service Funds	-	-	-	106,098	106,098
Capital Projects Funds	-	-	-	2,580,582	2,580,582
Total fund balances	<u>5,334,411</u>	<u>5,637,320</u>	<u>5,377,959</u>	<u>15,062,996</u>	<u>31,412,686</u>
Total liabilities and fund balances	<u>\$ 10,792,153</u>	<u>\$ 6,778,177</u>	<u>\$ 6,887,406</u>	<u>\$ 17,080,662</u>	<u>\$ 41,538,398</u>

City of Livonia, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities November 30, 2005

Total Fund Balances of Governmental Funds	\$ 31,412,686
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	163,398,385
Certain receivables are expected to be collected over several years relating to special assessments and delinquent personal property taxes	757,638
Fines and fees are not available to pay for current year expenditures	1,245,166
Compensated absences are not due and payable in the current period and are not reported in the funds	(6,963,517)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(42,209,219)
Accrued interest payable on long-term debt is not recorded in the funds	(199,376)
A portion of the Internal Service Fund (self-insurance) is included as part of governmental activities	<u>6,067,411</u>
Net Assets of Governmental Activities	<u>\$ 153,509,174</u>

City of Livonia, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended November 30, 2005

	Major Special Revenue Funds			Other Nonmajor	Total
	General Fund	Community Recreation	Refuse Disposal System	Governmental Funds	Governmental Funds
Revenue					
Property taxes	\$ 27,604,249	\$ 3,544,624	\$ 11,619,633	\$ 8,904,738	\$ 51,673,244
Licenses and permits	2,543,597	-	-	-	2,543,597
Special assessments	-	-	-	1,104,725	1,104,725
Intergovernmental revenue:					
State sources	9,235,983	-	-	6,817,048	16,053,031
Federal sources	267,483	-	-	2,060,774	2,328,257
Charges for services	3,348,893	3,546,900	82,173	1,415,574	8,393,540
Interest	1,032,313	163,839	167,861	378,479	1,742,492
Fines and forfeitures	3,637,757	-	-	682,022	4,319,779
Miscellaneous revenue	2,130,335	2,463	12,109	917,215	3,062,122
Total revenue	49,800,610	7,257,826	11,881,776	22,280,575	91,220,787
Expenditures					
General government	8,291,931	-	-	109,160	8,401,091
Public safety	30,437,709	-	-	933,538	31,371,247
Public works	3,895,654	-	11,133,516	11,878,026	26,907,196
Recreation and culture	1,626,601	4,489,471	-	4,953,201	11,069,273
Community and economic development	728,853	-	-	1,033,961	1,762,814
Employee benefits, insurance, and other	2,316,566	-	-	-	2,316,566
Capital outlay	-	-	-	1,660,782	1,660,782
Debt service	-	-	-	5,055,346	5,055,346
Total expenditures	47,297,314	4,489,471	11,133,516	25,624,014	88,544,315
Excess of Revenue Over (Under) Expenditures	2,503,296	2,768,355	748,260	(3,343,439)	2,676,472
Other Financing Sources (Uses)					
Issuance of long-term debt (Note 7)	-	-	-	3,730,000	3,730,000
Payments to escrow agents for bond refunding	-	-	-	(3,689,300)	(3,689,300)
Transfers in (Note 5)	40,000	-	-	7,975,204	8,015,204
Transfers out (Note 5)	(2,162,365)	(2,172,801)	-	(4,026,395)	(8,361,561)
Total other financing sources (uses)	(2,122,365)	(2,172,801)	-	3,989,509	(305,657)
Net Change in Fund Balances	380,931	595,554	748,260	646,070	2,370,815
Fund Balances - Beginning of year	4,953,480	5,041,766	4,629,699	14,416,926	29,041,871
Fund Balances - End of year	\$ 5,334,411	\$ 5,637,320	\$ 5,377,959	\$ 15,062,996	\$ 31,412,686

City of Livonia, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended November 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ 2,370,815
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	8,456,312
Depreciation, net of disposals, is recorded as an expense in the statement of activities but not in the governmental funds	(6,316,295)
Loss on disposal of fixed assets is recorded in the statement of activities but not in the governmental funds	(323,283)
Certain revenue reported in the governmental funds was recorded as revenue in the statement of activities in previous years	(228,357)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	7,025,865
Interest expense is recorded when incurred in the statement of activities	36,575
Bond proceeds are not reported as financing sources (uses) on the statement of activities	(3,730,000)
Net decrease in accumulated employee sick and vacation pay is recorded when incurred in the statement of activities	88,528
Increase in landfill liability is recorded when incurred in the statement of activities	(17,892)
A portion of the Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities	827,646
Change in Net Assets of Governmental Activities	<u>\$ 8,189,914</u>

City of Livonia, Michigan

Proprietary Funds Statement of Net Assets November 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Assets					
Current assets:					
Cash and investments	\$ 13,117,269	\$ 619,843	\$ -	\$ 13,737,112	\$ 8,234,606
Accounts receivable:					
Customers	9,482,317	-	-	9,482,317	-
Other	293,577	-	7,635	301,212	-
Inventory, prepaid expenditures, and deposits	252,158	-	4,263	256,421	1,053,490
Installment contracts	664,056	-	-	664,056	-
Restricted assets (Note 8)	1,957,470	-	-	1,957,470	-
Total current assets	25,766,847	619,843	11,898	26,398,588	9,288,096
Noncurrent assets (Note 4):					
Nondepreciable assets	920,606	1,581,948	3,582,488	6,085,042	-
Depreciable assets - Net	69,739,711	4,716,008	2,399,854	76,855,573	-
Total noncurrent assets	70,660,317	6,297,956	5,982,342	82,940,615	-
Total assets	96,427,164	6,917,799	5,994,240	109,339,203	9,288,096
Liabilities					
Current liabilities:					
Accounts payable	54,923	29,859	290,124	374,906	-
Accrued and other liabilities	152,181	60,827	9,598	222,606	-
Due to other governmental units	1,776,219	-	-	1,776,219	-
Due to other funds (Note 5)	131,387	-	-	131,387	-
Deferred revenue (Note 13)	1,183,845	-	-	1,183,845	-
Bonds and deposits	143,205	120,150	-	263,355	-
Current portion of long-term obligations	1,223,230	449,564	13,422	1,686,216	-
Total current liabilities	4,664,990	660,400	313,144	5,638,534	-
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	10,094,019	4,010,054	40,053	14,144,126	2,257,666
Total liabilities	14,759,009	4,670,454	353,197	19,782,660	2,257,666
Net Assets					
Invested in capital assets - Net of related debt	59,697,723	1,892,956	5,982,342	67,573,021	-
Restricted for ordinance requirements	1,957,470	-	-	1,957,470	-
Unrestricted	20,012,962	354,389	(341,299)	20,026,052	7,030,430
Total net assets	<u>\$ 81,668,155</u>	<u>\$ 2,247,345</u>	<u>\$ 5,641,043</u>	89,556,543	<u>\$ 7,030,430</u>

Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund is included as business-type activities

963,017

Net Assets of Business-type Activities

\$ 90,519,560

City of Livonia, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended November 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Operating Revenue					
Customer billings	\$ 24,932,790	\$ -	\$ -	\$ 24,932,790	\$ -
Fines and forfeitures	720,653	-	-	720,653	-
Service connections	97,496	-	-	97,496	-
Greens fees	-	-	1,543,576	1,543,576	-
Golf cart fees	-	-	94,524	94,524	-
City contributions	-	-	-	-	9,387,712
Rental income	-	1,255,912	-	1,255,912	-
Other revenue	227,701	1,860	54,185	283,746	-
Total operating revenue	25,978,640	1,257,772	1,692,285	28,928,697	9,387,712
Operating Expenses					
Cost of water	7,400,898	-	-	7,400,898	-
Cost of sewage disposal	9,335,921	-	-	9,335,921	-
System maintenance and operation	4,477,058	-	-	4,477,058	-
General and administrative	1,195,727	-	-	1,195,727	-
Depreciation	2,464,156	165,289	176,109	2,805,554	-
Reinsurance charges and claims	-	-	-	-	8,443,184
Salaries and wages	-	299,924	249,426	549,350	-
Supplies	-	9,062	169,729	178,791	-
Other services and charges	-	274,522	1,139,059	1,413,581	-
Total operating expenses	24,873,760	748,797	1,734,323	27,356,880	8,443,184
Operating Income (Loss)	1,104,880	508,975	(42,038)	1,571,817	944,528
Nonoperating Revenue (Expense)					
Interest income	376,021	13,424	-	389,445	154,996
Interest expense	(529,449)	(227,552)	(2,635)	(759,636)	-
Total nonoperating revenue (expense)	(153,428)	(214,128)	(2,635)	(370,191)	154,996
Income (Loss) - Before contributions and transfers	951,452	294,847	(44,673)	1,201,626	1,099,524
Capital Contributed from Developers and Grants	2,617,339	-	-	2,617,339	-
Transfers In (Note 5)	-	-	346,357	346,357	-
Change in Net Assets	3,568,791	294,847	301,684	4,165,322	1,099,524
Net Assets - Beginning of year	78,099,364	1,952,498	5,339,359	85,391,221	5,930,906
Net Assets - End of year	<u>\$ 81,668,155</u>	<u>\$ 2,247,345</u>	<u>\$ 5,641,043</u>	<u>\$ 89,556,543</u>	<u>\$ 7,030,430</u>
Net Change in Net Assets - Total Enterprise Funds				\$ 4,165,322	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities				271,877	
Change in Net Assets of Business-type Activities				<u>\$ 4,437,199</u>	

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows Year Ended November 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Cash Flows from Operating Activities					
Receipts from customers	\$ 25,519,787	\$ 1,257,881	\$ 1,705,569	\$ 28,483,237	\$ 9,387,712
Payments to suppliers	(18,013,933)	(272,991)	(1,121,493)	(19,408,417)	(8,795,463)
Payments to employees	(3,965,820)	(290,882)	(244,812)	(4,501,514)	-
Other receipts	144,657	2,846	-	147,503	-
Net cash provided by operating activities	3,684,691	696,854	339,264	4,720,809	592,249
Cash Flows from Noncapital Financing Activities - Net transfers to other funds	-	-	346,357	346,357	-
Cash Flows from Capital and Related Financing Activities					
Contributions from customers	214,920	-	-	214,920	-
Grant reimbursements	848,419	-	-	848,419	-
Principal and interest paid on long-term debt	(1,501,519)	(642,929)	(266,098)	(2,410,546)	-
Purchase of capital assets	(1,456,711)	-	(160,813)	(1,617,524)	-
Net cash used in capital and related financing activities	(1,894,891)	(642,929)	(426,911)	(2,964,731)	-
Cash Flows from Investing Activities					
Interest received on investments	376,021	13,424	-	389,445	154,996
Net purchases of investment activities	(645,548)	(19,980)	(258,710)	(924,238)	(201,756)
Net cash used in investing activities	(269,527)	(6,556)	(258,710)	(534,793)	(46,760)
Net Increase in Cash and Cash Equivalents	1,520,273	47,369	-	1,567,642	545,489
Cash and Cash Equivalents - December 1, 2004	10,058,977	403,321	-	10,462,298	5,465,773
Cash and Cash Equivalents - November 30, 2005	\$ 11,579,250	\$ 450,690	\$ -	\$ 12,029,940	\$ 6,011,262
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 13,117,269	\$ 619,843	\$ -	\$ 13,737,112	\$ 8,234,606
Restricted assets (Note 8)	1,718,091	-	-	1,718,091	-
Total cash and cash equivalents	14,835,360	619,843	-	15,455,203	8,234,606
Less investments	(3,256,110)	(169,153)	-	(3,425,263)	(2,223,344)
Net cash and cash equivalents	\$ 11,579,250	\$ 450,690	\$ -	\$ 12,029,940	\$ 6,011,262

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended November 30, 2005

	Major Enterprise Funds		Nonmajor Enterprise Fund		
	Water and Sewer	Housing	Golf Course	Total Enterprise Funds	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,104,880	\$ 508,975	\$ (42,038)	\$ 1,571,817	\$ 944,528
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,464,156	165,289	176,109	2,805,554	-
Changes in assets and liabilities:					
Receivables	(332,778)	112	13,285	(319,381)	-
Inventory, prepaids, and deposits	6,752	-	-	6,752	(711,793)
Accounts payable	356,091	-	-	356,091	-
Accrued and other liabilities	95,479	19,300	189,134	303,913	359,514
Deferred revenue	(9,889)	333	2,774	(6,782)	-
Bonds and deposits	-	2,845	-	2,845	-
Net cash provided by operating activities	\$ 3,684,691	\$ 696,854	\$ 339,264	\$ 4,720,809	\$ 592,249

Noncash Investing, Capital, and Financing Activities - During the year ended November 30, 2005, developers constructed water and sewer lines with an estimated value of \$1,554,000 and donated them to the City's Water and Sewer Fund.

City of Livonia, Michigan

Fiduciary Funds Statement of Net Assets November 30, 2005

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 1,006,705	\$ 2,813,174
Investments (Note 3):	-	-
U.S. government securities	43,852,194	-
Common stock	108,271,773	-
Corporate bonds	42,887,696	-
Foreign stock	3,232,097	-
Mutual funds	24,067,411	-
Real estate investment trust	10,000,000	-
Bank investment pools	-	4,606,197
Investments held by broker-dealer and banks under securities loans:		
U.S. government securities	435,203	-
U.S. corporate fixed income	367,773	-
U.S. equities	10,867,653	-
Securities lending short-term collateral bank investment pool	- 12,118,448	-
Other receivables	1,031,271	4,050
	<u>258,138,224</u>	<u>\$ 7,423,421</u>
Total assets		
Liabilities		
Accounts payable	349,924	\$ 24,505
Due to other governmental units	-	4,932,783
Accrued and other liabilities	669,974	-
Bonds and deposits	-	2,466,133
Amounts due to broker under securities lending agreement	12,118,448	-
	<u>13,138,346</u>	<u>\$ 7,423,421</u>
Total liabilities		
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 244,999,878</u>	

City of Livonia, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Funds Year Ended November 30, 2005

	<u>Pension and Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 7,815,253
Settlement income	1,209,947
Net appreciation in fair value of investments	15,021,698
Less investment expenses	<u>(541,727)</u>
Net investment income	23,505,171
Securities lending income:	
Interest and fees	613,457
Less borrower rebates and bank fees	<u>(586,237)</u>
Total securities lending income	27,220
Contributions:	
Employer	5,534,608
Employee	<u>529,975</u>
Total contributions	<u>6,064,583</u>
Total additions	29,596,974
Deductions	
Benefit payments	11,062,429
Medical benefit payments	4,946,285
Administrative expenses	164,109
Refunds of contributions	<u>330,438</u>
Total deductions	<u>16,503,261</u>
Net Increase	13,093,713
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>231,906,165</u>
End of year	<u><u>\$ 244,999,878</u></u>

City of Livonia, Michigan

Component Units Statement of Net Assets November 30, 2005

	Economic Development Corporation	Plymouth Road Development Authority	Total Component Units
Assets			
Cash and cash equivalents	\$ 2,450	\$ 956,862	\$ 959,312
Capital assets (Note 4):			
Nondepreciable capital assets	-	474,448	474,448
Depreciable capital assets - Net	-	11,373,511	11,373,511
Total assets	2,450	12,804,821	12,807,271
Liabilities			
Accounts payable	-	131,009	131,009
Accrued and other liabilities	-	22,807	22,807
Noncurrent liabilities:			
Property tax liability	-	515,939	515,939
Due within one year	-	310,000	310,000
Due in more than one year	-	5,430,000	5,430,000
Total liabilities	-	6,409,755	6,409,755
Net Assets			
Invested in capital assets - Net of related debt	-	6,107,959	6,107,959
Unrestricted	2,450	287,107	289,557
Total net assets	<u>\$ 2,450</u>	<u>\$ 6,395,066</u>	<u>\$ 6,397,516</u>

City of Livonia, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 300	\$ -	\$ -	\$ -
Plymouth Road Development Authority:				
Community and economic development	1,290,041	-	-	-
Interest on long-term debt	275,865	-	-	-
Total Plymouth Road Development Authority	1,565,906	-	-	-
Total governmental activities	<u>\$ 1,566,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes				
Interest				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Component Units
Statement of Activities
November 30, 2005**

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Economic</u>	<u>Plymouth Road</u>	
<u>Development</u>	<u>Development</u>	
<u>Corporation</u>	<u>Authority</u>	<u>Total</u>
\$ (300)	\$ -	\$ (300)
-	(1,290,041)	(1,290,041)
-	(275,865)	(275,865)
-	(1,565,906)	(1,565,906)
(300)	(1,565,906)	(1,566,206)
-	1,744,751	1,744,751
44	25,017	25,061
-	794	794
44	1,770,562	1,770,606
(256)	204,656	204,400
2,706	6,190,410	6,193,116
<u>\$ 2,450</u>	<u>\$ 6,395,066</u>	<u>\$ 6,397,516</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Livonia, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Livonia, Michigan:

Reporting Entity

The City of Livonia, Michigan's legislative branch consists of an elected seven-member council. The City's administration operates under the overall direction of an elected mayor. The accompanying financial statements present the City and its component units. The component units are entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Blended Component Units - The Municipal Building Authority of Livonia is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

The City of Livonia Employees' Retirement System and the City of Livonia Health and Disability Plan have been blended into the City's financial statements. These systems are governed by a five-member Pension Board that includes three individuals chosen by the City Council and/or the mayor. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of each system. The operations of the Employees' Retirement System and the City of Livonia Health and Disability Plan are reported as a Pension and Other Employee Benefits Fiduciary Fund.

Discretely Presented Component Units - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of eight individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the EDC can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

Note I - Summary of Significant Accounting Policies (Continued)

The Plymouth Road Development Authority was created to encourage additional economic activity and growth in the Plymouth Road business district. The Authority's governing body, which consists of 12 individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the Plymouth Road Development Authority can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The City has excluded the Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not applicable to specific programs are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Refuse Disposal Fund - The Refuse Disposal Fund accounts for the operations of the refuse disposal activities of the City. Funding is provided primarily through a local property tax levy.

Community Recreation Fund - The Community Recreation Fund accounts for the activities of the Livonia Community Recreation Center, ice rinks, and certain other recreation activities. Funding is provided primarily by a local property tax levy and user charges.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Housing Fund - The Housing Fund accounts for the Newburgh and Silver Village residential rental facilities. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general, workers' compensation, and employee health care liability claims and to purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Fund accounts for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund (Water and Sewer Fund) relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Properties are assessed as of December 31 and the related property taxes become a lien when billed. These taxes are billed on July 1 and December 1 of the following year, and are due on September 14 and February 14, respectively. After the final collection date of February 28, real property taxes are added to the county tax rolls. The 2004 taxable valuation of the City of Livonia totaled \$4.700 billion (a portion of which is abated and a portion of which is captured by the PRDA). The millages levied by the City and the resulting revenues are as follows:

Purpose of Millage	Millage Rate	Approximate Revenue (in millions)
Operating purposes	4.0447	\$ 18.37
Police	0.8088	3.67
Police and fire	1.2134	5.51
Library	0.8088	3.65
Refuse and recycling	2.5746	11.62
Industrial development	0.0110	0.05
Debt service	0.2723	1.24
Roads, sidewalks, and trees	0.8893	4.01
Recreation	0.7855	3.54

These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2005. Wayne County delinquent real property taxes have been recorded as revenue in the current year.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the Investment Agency Fund is generally allocated to each fund using a weighted average of balance for the principal held for each fund on a daily basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. Unspent bond proceeds have also been set aside for construction. These amounts have been classified as restricted assets, as well as amounts on deposit at the county and the state being held for the construction and debt service. The Street Improvement Capital Projects Fund, 1990 Street Improvement Capital Projects Fund, and the Municipal Building Authority and Other Debt Service Fund all have unspent bond proceeds that have been set aside for construction and that have been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	33 to 40 years
Road rights	33 years
Buildings and improvements	20 to 50 years
Machinery, equipment, and vehicles	2 to 20 years
Water and sewer distribution systems	50 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at December 1, 2004		\$ (1,584,829)
Current year building permit revenue		2,514,877
Related expenses:		
Direct costs	\$ 1,529,073	
Estimated indirect costs	<u>453,361</u>	
Total related expenses		<u>(1,982,434)</u>
Current year net revenue		<u>532,443</u>
Cumulative shortfall at November 30, 2005		<u><u>\$ (1,052,386)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree health care fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated five banks for the deposit of its funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City of Livonia's deposits and investment policies are in accordance with statutory authority.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City of Livonia had \$34,617,180 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City of Livonia believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City of Livonia evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Corporate bonds	\$ 44,365,714	9.93 years
U.S. agency securities	51,402,487	25.59 years
U.S. treasury securities	5,529,405	2.95 years
Commercial paper	1,987,628	26.5 days

The investments listed above are held in the Employees' Retirement System and VEBA.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 2,506,175	Aaa	Moody's
Bank investment pools	15,035,052	A1	S&P
U.S. agency securities	17,636,884	AAA	S&P
U.S. agency securities	33,765,603	Not Rated	N/A
U.S. treasury securities	325,890	Not Rated	N/A
U.S. treasury securities	5,203,515	AAA	S&P
Mutual funds	19,463,358	Not Rated	N/A
Corporate bonds	2,777,276	A	S&P
Corporate bonds	1,720,530	A-	S&P
Corporate bonds	2,215,780	A+	S&P
Corporate bonds	62,880	AA	S&P

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 3 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
Corporate bonds	\$ 2,312,602	AA-	S&P
Corporate bonds	12,038,058	AAA	S&P
Corporate bonds	31,675	B	S&P
Corporate bonds	2,470,151	BB-	S&P
Corporate bonds	1,812,129	BB+	S&P
Corporate bonds	4,142,903	BBB	S&P
Corporate bonds	6,941,804	BBB-	S&P
Corporate bonds	7,839,928	BBB+	S&P
Commercial paper	1,987,628	A-I +	S&P
Component Unit - Bank			
investment pools	956,862	Aaa	Moody's

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance December 1, 2004	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2005
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 34,181,310	\$ -	\$ -	\$ -	\$ 34,181,310
Construction in progress	114,593	-	-	(114,593)	-
Subtotal	34,295,903	-	-	(114,593)	34,181,310
Capital assets being depreciated:					
Infrastructure	64,024,682	-	5,756,643	-	69,781,325
Road rights	15,274,300	-	503,910	-	15,778,210
Buildings and improvements	90,397,110	-	438,660	(577,234)	90,258,536
Equipment and vehicles	26,059,862	(65,410)	1,871,692	(1,507,592)	26,358,552
Subtotal	195,755,954	(65,410)	8,570,905	(2,084,826)	202,176,623
Accumulated depreciation:					
Infrastructure	24,087,039	-	1,902,406	-	25,989,445
Road rights	3,783,936	-	463,494	-	4,247,430
Buildings and improvements	24,176,822	-	1,926,688	(506,707)	25,596,803
Equipment and vehicles	16,422,409	(65,410)	2,023,707	(1,254,836)	17,125,870
Subtotal	68,470,206	(65,410)	6,316,295	(1,761,543)	72,959,548
Net capital assets being depreciated	127,285,748	-	2,254,610	(323,283)	129,217,075
Net governmental capital assets	\$ 161,581,651	\$ -	\$ 2,254,610	\$ (437,876)	\$ 163,398,385

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 4 - Capital Assets (Continued)

	Balance December 1, 2004	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2005
Business-type Activities					
Water and sewer capital assets:					
Capital assets not being depreciated -					
Construction in progress	\$ 1,530,576	\$ -	\$ 1,277,025	\$ (1,886,995)	\$ 920,606
Capital assets being depreciated:					
Buildings and improvements	934,205	-	-	-	934,205
Vehicles	1,681,228	-	135,482	(71,041)	1,745,669
Machinery and equipment	937,457	65,410	149,900	(118,515)	1,034,252
Water and sewer distribution systems	111,090,260	-	3,466,685	-	114,556,945
Subtotal	114,643,150	65,410	3,752,067	(189,556)	118,271,071
Accumulated depreciation:					
Buildings and improvements	436,780	-	18,683	-	455,463
Vehicles	1,018,985	-	148,071	(71,041)	1,096,015
Machinery and equipment	725,446	65,410	72,708	(118,515)	745,049
Water and sewer distribution systems	44,010,139	-	2,224,694	-	46,234,833
Subtotal	46,191,350	65,410	2,464,156	(189,556)	48,531,360
Net capital assets being depreciated	68,451,800	-	1,287,911	-	69,739,711
Net water and sewer capital assets	69,982,376	-	2,564,936	(1,886,995)	70,660,317
Golf course capital assets:					
Capital assets not being depreciated -					
Land	3,582,488	-	-	-	3,582,488
Capital assets being depreciated:					
Buildings and improvements	1,602,329	-	-	-	1,602,329
Land improvements	2,342,792	-	-	-	2,342,792
Machinery and equipment	822,538	-	160,813	(22,786)	960,565
Subtotal	4,767,659	-	160,813	(22,786)	4,905,686
Accumulated depreciation:					
Buildings and improvements	486,685	-	32,048	-	518,733
Land improvements	1,479,349	-	93,084	-	1,572,433
Machinery and equipment	386,475	-	50,977	(22,786)	414,666
Subtotal	2,352,509	-	176,109	(22,786)	2,505,832
Net capital assets being depreciated	2,415,150	-	(15,296)	-	2,399,854
Net golf course capital assets	5,997,638	-	(15,296)	-	5,982,342

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 4 - Capital Assets (Continued)

	Balance December 1, 2004	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2005
Business-type Activities (Continued)					
Housing Fund:					
Capital assets not being depreciated -					
Land	\$ 1,581,948	\$ -	\$ -	\$ -	\$ 1,581,948
Capital assets being depreciated:					
Buildings and improvements	6,892,062	-	-	-	6,892,062
Land improvements	537,954	-	-	-	537,954
Vehicles	44,310	-	-	-	44,310
Machinery and equipment	39,780	-	-	-	39,780
Subtotal	7,514,106	-	-	-	7,514,106
Accumulated depreciation:					
Buildings and improvements	2,227,328	-	138,057	-	2,365,385
Land improvements	371,867	-	20,869	-	392,736
Vehicles	24,667	-	3,961	-	28,628
Machinery and equipment	8,947	-	2,402	-	11,349
Subtotal	2,632,809	-	165,289	-	2,798,098
Net capital assets being depreciated	4,881,297	-	(165,289)	-	4,716,008
Net Housing Fund capital assets	6,463,245	-	(165,289)	-	6,297,956
Net business-type activity capital assets	<u>\$ 82,443,259</u>	<u>\$ -</u>	<u>\$ 2,384,351</u>	<u>\$ (1,886,995)</u>	<u>\$ 82,940,615</u>

Capital asset activity for the City of Livonia's component units for the year was as follows:

	Balance December 1, 2004	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2005
Component Units - Plymouth Road					
Development Authority					
Capital assets not being depreciated - Land	\$ 474,448	\$ -	\$ -	\$ -	\$ 474,448
Capital assets being depreciated - Land improvements	15,083,466	-	126,919	-	15,210,385
Accumulated depreciation - Land improvements	3,082,436	-	754,438	-	3,836,874
Net capital assets being depreciated	12,001,030	-	(627,519)	-	11,373,511
Net component unit capital assets	<u>\$ 12,475,478</u>	<u>\$ -</u>	<u>\$ (627,519)</u>	<u>\$ -</u>	<u>\$ 11,847,959</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 496,675
Public safety	1,360,787
Public works	2,925,564
Recreation and culture	<u>1,533,269</u>

Total governmental activities	<u>\$ 6,316,295</u>
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Business-type activities:

Water and sewer	\$ 2,464,156
Housing	165,289
Golf course	<u>176,109</u>

Total business-type activities	<u>\$ 2,805,554</u>
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Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street and sidewalk projects	\$ 11,026,952	\$ 967,840
Storm water retention project	593,651	146,205
Utility related projects	<u>720,726</u>	<u>185,027</u>
Total	<u>\$ 12,341,329</u>	<u>\$ 1,299,072</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Community Recreation	General Fund	\$ 747
Road and Sidewalks Fund	Water and Sewer Fund	131,387
Total		<u>\$ 132,134</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 1,903,654 *
	Golf Course Fund	258,711 *
Total General Fund		<u>2,162,365</u>
Community Recreation Fund	Nonmajor governmental funds	2,172,801 ****
Nonmajor governmental funds	General Fund	40,000 *
	Nonmajor governmental funds	3,898,749 ****
	Golf Course Fund	87,646 **
Total nonmajor governmental funds		<u>4,026,395</u>
	Total	<u>\$ 8,361,561</u>

* Transfer of unrestricted resources to finance capital projects and general obligation debt service in accordance with budgetary authorizations

** Transfer from a Debt Service Fund to the Golf Course Fund

*** Primarily transfers of gas and weight tax revenues from the Major Streets Fund and Local Streets Fund to the Road and Sidewalk Fund in accordance with Act 51 also includes transfer for debt service

**** Transfer from Community Recreation Fund for debt service

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 6 - Leases

Capital Leases - The City has entered into a lease agreement as lessee for financing the purchase of police, fire, and energy conservation equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending November 30</u>	<u>Governmental Activities</u>
2006	\$ 1,004,388
2007	677,441
2008	69,422
2009	69,421
2010	69,422
2011	<u>69,420</u>
Total minimum lease payments	1,959,514
Less amount representing interest	<u>(124,967)</u>
Present value at November 30, 2005	<u>\$ 1,834,547</u>

These leases are included in the long-term debt schedules in Note 7.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Capital lease obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
Building Authority Bonds:							
1991 District Court Improvements Bonds							
Amount of issue - \$650,000							
Maturing through 2006	5.00%	\$70,000	\$ 135,000	\$ -	\$ (65,000)	\$ 70,000	\$ 70,000
1996 MBA Refinancing Bonds							
Amount of issue - \$391,333							
Maturing through 2005	4.70%	\$391,333	391,333	-	(391,333)	-	-
1999 MBA Refinancing Bonds							
Amount of issue - \$2,985,000							
Maturing through 2006	4.00%	\$485,000	955,000	-	(470,000)	485,000	485,000
1998 MBA Fire Station Bonds							
Amount of issue - \$1,700,000	4.70% -	\$70,000 -					
Maturing through 2018	5.00%	\$75,000	1,365,000	-	(1,220,000)	145,000	70,000
2000 Recreation Bonds							
Amount of issue - \$3,000,000	5.00% -	\$75,000 -					
Maturing through 2025	5.60%	\$175,000	2,800,000	-	(2,350,000)	450,000	75,000
2001 Recreation Bonds							
Amount of issue - \$33,500,000	4.30% -	\$350,000 -					
Maturing through 2030	5.25%	\$1,650,000	33,010,000	-	(330,000)	32,680,000	350,000
2005 MBA Refunding Bonds							
Amount of issue - \$3,730,000	3.00% -	\$25,000 -					
Maturing through 2015	4.25%	\$285,000	-	3,730,000	-	3,730,000	25,000
Street and Highway General Obligation							
Unlimited Tax Bonds:							
1990 Street Improvement Bonds							
Amount of issue - \$1,500,000		\$150,000 -					
Maturing through 2005	6.00%	\$175,000	175,000	-	(175,000)	-	-

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities (Continued):							
Street and Highway Bonds (Continued):							
1993 Road Improvement Bonds							
Amount of issue - \$3,500,000		\$375,000 -					
Maturing through 2008	4.25%	\$400,000	\$ 1,450,000	\$ -	\$ (300,000)	\$ 1,150,000	\$ 375,000
2002 General Obligation Refunding Bonds							
Amount of issue - \$2,385,000		\$255,000 -					
Maturing through 2007	3.00%	\$740,000	1,655,000	-	(660,000)	995,000	740,000
Special Assessment Bonds:							
1989 Special Assessment Limited Tax Bonds							
Amount of issue - \$1,705,000							
Maturing through 2005	7.50%	\$75,000	75,000	-	(75,000)	-	-
1990 Special Assessment Limited Tax Bonds							
Amount of issue - \$1,750,000							
Maturing through 2005	6.00%	\$85,000	85,000	-	(85,000)	-	-
Capital lease obligations:							
Bank One - Energy Conservation Equipment							
Amount of issue - \$3,651,237		\$431,367 -					
Maturing through 2007	3.88%	\$453,780	1,295,408	-	(410,259)	885,149	431,368
Fire Truck Pumper							
Amount of issue - \$485,000		\$57,185-					
Maturing through 2011	3.39%	\$67,690	429,203	-	(55,288)	373,915	57,185
Comerica Bank:							
Police computer							
Amount of issue - \$1,900,000							
Maturing through 2006	3.83%	\$316,666	633,333	-	(316,667)	316,666	316,666
Fire Truck Pumper							
Amount of issue - \$612,450		\$126,985-					
Maturing through 2007	3.78%	\$131,831	381,135	-	(122,318)	258,817	126,985
Total governmental activity debt			44,835,412	3,730,000	(7,025,865)	41,539,547	3,122,204
Other long-term obligations:							
General liability claims, workers' compensation, and health insurance claims (Note 9)							
			1,731,181	307,697	-	2,038,878	-
Landfill closure and postclosure liability							
			651,780	17,892	-	669,672	-
Compensated absences							
			7,052,045	-	(88,528)	6,963,517	3,320,741
Total governmental activities			\$ 54,270,418	\$ 4,055,589	\$ (7,114,393)	\$ 51,211,614	\$ 6,442,945

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:							
Building Authority Bonds:							
1989 MBA Fox Creek Clubhouse Bonds							
Amount of issue - \$975,000							
Maturing through 2005	9.20%	\$50,000	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
1996 MBA Refinancing Bonds							
Amount of issue - \$208,711							
Maturing through 2005	4.70%	\$208,711	208,711	-	(208,711)	-	-
1996 MBA Refinancing Bonds							
Amount of issue - \$4,939,956	4.5% -	\$310,000 -					
Maturing through 2015	5.20%	\$510,000	4,319,956	-	(284,956)	4,035,000	310,000
1999 MBA Refinancing Bonds							
Amount of issue - \$1,210,000	4.00% -	\$125,000 -					
Maturing through 2008	4.15%	\$135,000	500,000	-	(130,000)	370,000	125,000
Water Supply and Wastewater System Bonds:							
2000 Water Supply and Wastewater System							
Revenue Bonds							
Amount of issue - \$5,000,000	5.125% -	\$125,000 -					
Maturing through 2020	5.30%	\$450,000	4,550,000	-	(125,000)	4,425,000	125,000
2002 Water Supply and Wastewater System							
Revenue Refunding Bonds							
Amount of issue - \$9,300,000	2.50% -	\$910,000 -					
Maturing through 2012	4.00%	\$1,005,000	7,460,000	-	(885,000)	6,575,000	910,000
Less deferred amount on refunding			(407,421)	-	(60,015)	(347,406)	-
Total business-type activity debt			16,681,246	-	(1,743,682)	15,057,594	1,470,000
County contractual obligations:							
State Revolving Fund Loan - N. Huron Valley/Rouge							
Valley Wastewater Control System							
Amount of issue - \$14,428,703		\$20,000 -					
Maturing through 2021	2.25%	\$25,000	330,000	-	(20,000)	310,000	20,000
Other long-term obligations:							
General liability claims, workers' compensation, and health insurance claims (Note 9)							
			166,969	51,818	-	218,787	-
Compensated absences							
			430,357	32,391	-	462,748	196,216
Total business-type activities			17,608,572	84,209	(1,763,682)	16,049,129	1,686,216
Total governmental and business-type activities			\$ 71,878,990	\$ 4,139,798	\$ (8,878,075)	\$ 67,260,743	\$ 8,129,161

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component units:							
1998 Downtown Development Bonds:							
Amount of issue - \$7,500,000	4.60% -	\$310,000 -					
Maturing through 2018	4.70%	\$585,000	\$ 6,035,000	\$ -	\$ (295,000)	\$ 5,740,000	\$ 310,000
Other long-term obligation - Property tax settlement							
			515,939	-	-	515,939	-
Total component unit activity			\$ 6,550,939	\$ -	\$ (295,000)	\$ 6,255,939	\$ 310,000

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 3,122,204	\$ 1,954,167	\$ 5,076,371	\$ 1,429,987	\$ 655,262	\$ 2,085,249
2007	1,900,883	1,843,809	3,744,692	1,479,987	606,007	2,085,994
2008	1,191,175	1,767,579	2,958,754	1,524,987	552,191	2,077,178
2009	898,274	1,719,598	2,617,872	1,459,985	493,939	1,953,924
2010	1,030,445	1,674,116	2,704,561	1,421,381	428,128	1,849,509
2011-2015	6,992,690	7,467,412	14,460,102	5,784,080	1,295,094	7,079,174
2016-2020	9,050,000	5,477,901	14,527,901	2,267,187	358,062	2,625,249
2021-2025	9,103,876	3,246,879	12,350,755	-	-	-
2026-2030	8,250,000	1,074,564	9,324,564	-	-	-
Total	\$ 41,539,547	\$ 26,226,025	\$ 67,765,572	\$ 15,367,594	\$ 4,388,683	\$ 19,756,277

	Component Units		
	Principal	Interest	Total
2006	\$ 310,000	\$ 262,495	\$ 572,495
2007	330,000	247,455	577,455
2008	350,000	231,475	581,475
2009	365,000	214,673	579,673
2010	390,000	196,930	586,930
2011-2015	2,300,000	680,326	2,980,326
2016-2019	1,695,000	121,613	1,816,613
Total	\$ 5,740,000	\$ 1,954,967	\$ 7,694,967

Note 7 - Long-term Debt (Continued)

Defeased Debt

During the year, the City issued \$3,730,000 in Building Authority Refunding Bonds with an average interest rate of 3.87 percent. The proceeds of these bonds were used to advance refund \$1,155,000 of \$1,300,000 for Series 1998 MBA Fire Station Bonds and \$2,300,000 of \$2,750,000 for 2000 Recreation Bonds. The remaining outstanding liability is \$145,000 and \$450,000, respectively. The advance refunding reduced total debt service payments over the next 20 years by \$180,853, which represents an economic gain of \$125,724.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At November 30, 2005, \$21,135,000 of bonds outstanding are considered defeased.

No Commitment Debt - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation Bonds under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of November 30, 2005, there is approximately \$61,367,000 of no commitment debt outstanding.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities				Business-type Activities
	Municipal Building Authority and Other Debt Service Fund	Street Improvement Capital Project Fund	1990 Street Improvement Capital Project Fund	Total Governmental Activities	Water and Sewer Fund
Cash and cash equivalents:					
Revenue bond reserves	\$ -	\$ -	\$ -	\$ -	\$ 1,404,040
Bond proceeds	82,985	110,549	1,272,702	1,466,236	314,051
Total cash and cash equivalents	82,985	110,549	1,272,702	1,466,236	1,718,091
Assets held by Wayne County	-	-	-	-	239,379
Receivable from Wayne County	-	-	197,406	197,406	-
Total restricted assets	<u>\$ 82,985</u>	<u>\$ 110,549</u>	<u>\$ 1,470,108</u>	<u>\$ 1,663,642</u>	<u>\$ 1,957,470</u>

Governmental Activities - The governmental activities have unspent bond proceeds relating to debt issued for the construction of streets and for police computer upgrades. The City also has a receivable from Wayne County relating to street construction financed by the City on behalf of the County with bond proceeds.

Business-type Activities - At November 30, 2005, the City was in compliance with the provisions of the Water Supply and Wastewater System Revenue bonds.

Bond proceeds held in the amount of \$314,051 in the Water and Sewer Fund relate to excess funds from the 2000 Water Supply and Wastewater System Revenue bonds to be used for future water and sewer obligations.

The City also has assets of \$239,379 held at Wayne County that are restricted for future water and sewer obligations.

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits and workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority").

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 9 - Risk Management (Continued)

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The City estimates the liability for general liability, workers' compensation, and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. The estimated liability for property loss, general liability, workers' compensation, and medical claims is recorded within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation		Medical Claims	
	2005	2004	2005	2004	2005	2004
Estimated liability - Beginning of year	\$ 536,371	\$ 479,891	\$ 1,033,383	\$ 958,403	\$ 328,398	\$ 329,943
Estimated claims incurred, including changes in estimates	1,463,159	1,532,170	449,042	469,626	6,405,983	6,209,209
Claim payments	<u>(1,476,162)</u>	<u>(1,475,690)</u>	<u>(435,204)</u>	<u>(394,646)</u>	<u>(5,688,625)</u>	<u>(6,210,754)</u>
Estimated liability - End of year	<u>\$ 523,368</u>	<u>\$ 536,371</u>	<u>\$ 1,047,221</u>	<u>\$ 1,033,383</u>	<u>\$ 1,045,756</u>	<u>\$ 328,398</u>

Note 10 - Pension Plans

Retirement System

Plan Description - The City of Livonia Employees' Retirement System (the "System") is a single-employer defined benefit pension plan that is administered by the City of Livonia Employees' Retirement System; this plan covers the following employees of the City unless they elected to transfer to the City's 401(a) defined contribution pension plan (see Note 11):

- General employee members - All members hired prior to March 17, 1997 and their beneficiaries
- Police lieutenant and sergeant members - All members hired prior to December 8, 1997 and their beneficiaries

Note 10 - Pension Plans (Continued)

- Police officer members - All members hired prior to November 24, 1998 and their beneficiaries
- Fire fighter members - All members hired prior to July 1, 1998 and their beneficiaries

The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At November 30, 2004, the date of the most recent actuarial valuation, membership consisted of 571 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 281 current active employees. The System does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees from 2.55 percent to 5.21 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended November 30, 2005, the City was not required to and did not make a contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2003 using the aggregate actuarial cost method. Significant actuarial assumptions used include (a) an 8.25 percent rate of return and (b) projected salary increases of 4.75 percent to 12.67 percent per year. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is the expected future working lifetime.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 10 - Pension Plans (Continued)

Reserves - As of November 30, 2005, the plan's reserves have been fully funded as follows:

Legally required reserves:

Reserve for employees' contributions	\$ 9,233,540
Reserve for retired benefit payments	73,824,553
Additional reserves - Reserve for employer contributions	<u>119,700,762</u>
Total reserves	<u>\$ 202,758,855</u>

	Fiscal Year Ended November 30		
	2003	2004	2005
Annual pension cost (APC)	\$ 392,639	\$ -	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Postemployment Health Care Benefit Plan

Plan Description - The City of Livonia Postemployment Health Care Benefit Plan is a single-employer defined benefit plan that is administered by the City of Livonia Employees' Retirement System; this plan covers all full-time employees included in the City's Defined Benefit Pension Plan (1) retiring on or after December 1, 1979, (2) retiring under disability provisions, and (3) retiring before December 1, 1979 if the person has attained age 65. The system provides postemployment health care benefits to plan members and their beneficiaries. On November 4, 1998, the City created a separate plan to cover all postemployment health care benefits of all defined benefit pension plan and defined contribution pension plan members. After this date, all postemployment health care benefit contributions are recorded as revenue in this new plan (see Note 11). However, benefit payments will continue to be paid out of the Postemployment Health Care Benefit Plan as long as reserve balances remain. At November 30, 2004, the date of the most recent actuarial valuation, membership consisted of 571 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 281 current active employees. The plan does not issue a separate financial report.

Contributions - Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2005

Note 10 - Pension Plans (Continued)

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. As discussed above, there will be no contributions to the plan subsequent to November 4, 1998.

Reserves - As of November 30, 2005, the plan's legally required reserve for employees' postemployment health care benefits has been fully funded in accordance with the actuarial determined contributions in the amount of \$3,052,525.

	Fiscal Year Ended November 30		
	2003	2004	2005
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- General employee members - All members hired on or after March 17, 1997
- Police lieutenant and sergeant members - All members hired on or after December 8, 1997
- Police officer members - All members hired on or after November 24, 1998
- Fire fighter members - All members hired on or after July 1, 1998

In addition, the plan covers all employees electing to transfer from the City's defined benefit pension plan (see Note 10).

Note 11 - Defined Contribution Pension Plan (Continued)

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Livonia through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	Employees Transferring from the Defined Benefit Pension Plan		New Employees Hired After the Effective Dates Noted Above	
	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
General	12%	3.1% to 3.66%	7%	3.1% to 3.66%
Police lieutenants and sergeants	13%	5.21%	9%	5.21%
Police	13%	5%	9%	5%
Fire	13%	3.56%	11%	3.56%

The employee contribution percentages noted above represent the minimum required contribution. Employees are permitted to contribute additional amounts up to the maximum allowed by law.

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after four years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$1,748,492 during the current year, and employees contributed \$626,867.

Note 12 - Postemployment Benefits

Effective November 4, 1998, the City created the City of Livonia Retiree Health and Disability Benefits Plan (the "VEBA"). The plan provides medical and health care benefits, including hospitalization and disability benefits, for the welfare of all retirees and their spouses and eligible dependents. After November 4, 1998, all contributions related to postemployment benefits for all members of the Defined Benefit Pension Plan and Defined Contribution Pension Plan and their beneficiaries will be recorded as revenue in the City's Other Employee Benefits Trust Fund.

Eligibility - All retirees of the Defined Benefit Pension Plan and the Defined Contribution Pension Plan and their beneficiaries and future retirees who complete 10 years or more of credited service are eligible.

Note 12 - Postemployment Benefits (Continued)

Contributions - Employer contributions to the trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the trust for these employees was established by negotiation with the City's collective bargaining units and requires no contributions from the employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Cost - For the year ended November 30, 2005, the City's annual post-employment cost of \$5,534,608 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.25 percent investment rate of return and (b) projected 6.00 percent annual rate for medical care inflation. Both (a) and (b) include an inflation component of 4.75 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 50 years for health and 30 years for disability.

Reserves - As of November 30, 2005, the trust reserves for employees' post-employment benefits have been fully funded as follows:

Reserve for health insurance	\$ 38,114,696
Reserve for disability insurance	<u>1,073,802</u>
Total reserves	<u><u>\$ 39,188,498</u></u>

	Fiscal Year Ended November 30		
	2003	2004	2005
Annual pension cost (APC)	\$ 4,960,217	\$ 5,859,287	\$ 5,534,608
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 12 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending November 30, 2009.

Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise Funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Governmental Activities	Business-type Activities
	Unavailable	Unearned	Total	Unearned	Unearned
Property tax, special assessment, and other receivables	\$ 757,638	\$ -	\$ 757,638	\$ -	\$ -
Community recreation center annual passes	-	929,601	929,601	929,601	-
Interest receivable on sewer connections	-	-	-	-	916,745
Assets held at Wayne County	-	-	-	-	267,100
Grant payment received prior to meeting all eligibility requirements	-	66,813	66,813	66,813	-
Total	<u>\$ 757,638</u>	<u>\$ 996,414</u>	<u>\$ 1,754,052</u>	<u>\$ 996,414</u>	<u>\$ 1,183,845</u>

Note 14 - Subsequent Events

Subsequent to November 30, 2005, the City approved the issuance of \$4,885,000 of Water Supply and Wastewater System Revenue Bonds and issuance of \$4,110,000 of Water Supply and Wastewater System Revenue Refunding Bonds. Interest rates range from 3.50 percent to 5.0 percent for each bond. The bonds are payable through the year ending November 30, 2020. The Revenue Bond will be used for water and sewer construction. The Refunding Bond will be used to refund the 2000 Water and Supply and Wastewater System bonds.

Note 14 - Subsequent Events (Continued)

Subsequent to November 30, 2005, Ford Motor Company, the City's largest taxpayer, filed an appeal disputing the 2005 taxable value. Ford Motor Company property is entirely located within the Plymouth Road Development Authority. If Ford's claim is upheld, it would result in a refund of approximately \$860,000 to Ford Motor Company of city taxes plus an additional amount for county taxes. The City is vigorously defending its position.

Required Supplemental Information

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended November 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 27,657,616	\$ 27,657,616	\$ 27,604,249	\$ (53,367)
Licenses and Permits				
Business	133,400	133,400	163,698	30,298
Nonbusiness	2,008,200	2,223,200	2,379,899	156,699
Total licenses and permits	2,141,600	2,356,600	2,543,597	186,997
Intergovernmental Revenue				
State and local	9,380,855	9,380,855	9,235,983	(144,872)
Federal	5,000	5,000	267,483	262,483
Total intergovernmental revenue	9,385,855	9,385,855	9,503,466	117,611
Charges for Services	3,398,606	3,398,606	3,348,893	(49,713)
Interest	650,000	910,000	1,032,313	122,313
Fines and Forfeitures	4,052,800	4,052,800	3,637,757	(415,043)
Miscellaneous Revenue				
Rent and royalties	1,196,892	1,196,892	1,149,610	(47,282)
Sale of fixed assets	150,000	150,000	83,484	(66,516)
Other miscellaneous	1,582,945	1,582,945	937,241	(645,704)
Total miscellaneous revenue	2,929,837	2,929,837	2,170,335	(759,502)
Total revenue	\$ 50,216,314	\$ 50,691,314	\$ 49,840,610	\$ (850,704)
Expenditures				
General Government				
Legislative:				
City Council	\$ 387,720	\$ 387,720	\$ 369,125	\$ 18,595
City Clerk	464,068	464,068	457,063	7,005
Elections	284,336	284,336	191,659	92,677
Total legislative	1,136,124	1,136,124	1,017,847	118,277
Judicial	2,559,174	2,584,174	2,583,650	524
Executive:				
Mayor's office	235,200	235,200	222,351	12,849
Administrative services	212,825	212,825	211,969	856
Total executive	448,025	448,025	434,320	13,705
Human resources:				
Human Relations Commission	8,277	8,277	5,992	2,285
Labor relations	137,000	137,000	104,395	32,605
Civil service	641,778	641,778	577,400	64,378
Total human resources	787,055	787,055	687,787	99,268

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
General Government (Continued)				
Financial administration:				
Accounting	\$ 449,803	\$ 449,703	\$ 440,948	\$ 8,755
Assessing	598,440	598,440	484,905	113,535
Finance	277,812	274,612	272,227	2,385
Independent audit	51,200	54,500	54,450	50
Board of Review	3,660	3,660	3,148	512
Treasurer	565,071	565,071	513,476	51,595
Data processing	685,158	685,158	681,824	3,334
Total financial administration	2,631,144	2,631,144	2,450,978	180,166
Other activities:				
Legal	650,336	650,336	631,394	18,942
Utilities and supplies	597,429	597,429	540,935	56,494
Acquisition of land	9,000	9,000	2,391	6,609
Research and investigation	24,000	24,000	24,000	-
Dues and subscriptions	57,000	57,000	51,601	5,399
Total other activities	1,337,765	1,337,765	1,250,321	87,444
Total general government	8,899,287	8,924,287	8,424,903	499,384
Public Safety				
Police:				
Traffic bureau	840,325	868,325	754,795	113,530
Administration	3,161,001	2,927,830	2,793,689	134,141
Detective bureau	2,254,139	2,364,139	2,363,451	688
Automotive service	413,503	413,503	398,424	15,079
Communications/Records bureau	814,123	820,371	776,796	43,575
Crossing guards	63,032	63,032	50,704	12,328
D.A.R.E./School liaison	461,649	488,649	488,230	419
Reserve police	308,527	427,334	427,135	199
Patrol bureau	10,603,698	10,385,814	10,250,518	135,296
Intelligence bureau	1,379,240	1,540,240	1,539,260	980
Total police	20,299,237	20,299,237	19,843,002	456,235
Fire:				
Administration	847,934	847,635	843,181	4,454
Firefighting	9,017,852	9,007,752	8,852,473	155,279
Fire prevention	412,564	422,963	422,867	96
Total fire	10,278,350	10,278,350	10,118,521	159,829
Protective inspection:				
Building Code Board of Appeals	1,492	1,492	571	921
Inspection	1,179,463	1,194,463	1,166,173	28,290
Total protective inspection	1,180,955	1,195,955	1,166,744	29,211
Other protective:				
Office of emergency preparedness	78,514	78,514	20,264	58,250
Traffic commission	6,784	6,784	5,565	1,219
Total other protective	85,298	85,298	25,829	59,469
Total public safety	31,843,840	31,858,840	31,154,096	704,744

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public Works				
Public services - Highways, streets, and maintenance:				
Engineering	\$ 573,858	\$ 573,858	\$ 571,365	\$ 2,493
Parks maintenance	928,860	928,860	928,764	96
Administration	22,372	10,872	10,643	229
Equipment maintenance	156,066	225,066	224,146	920
Building maintenance	1,901,721	1,701,721	1,700,911	810
Street lighting	308,784	355,284	355,134	150
Maintenance:				
Streets	340	112,340	111,639	701
Traffic services	67,463	51,463	51,213	250
Forestry	21,652	21,652	21,134	518
Total public works	3,981,116	3,981,116	3,974,949	6,167
Recreation and Cultural				
Parks and recreation:				
Administration	439,560	535,560	534,577	983
Recreation facilities	39,121	30,031	29,845	186
Swimming pools	182,608	159,608	151,873	7,735
Recreation athletics	151,882	108,972	108,656	316
Recreation programs	81,914	60,914	60,400	514
Total parks and recreation	895,085	895,085	885,351	9,734
Cultural:				
Historic Preservation Commission	5,119	4,119	3,315	804
Historical Commission	69,182	69,182	67,564	1,618
Library Commission	450,000	515,000	515,000	-
Arts Commission	24,543	19,543	19,506	37
Community resources	968,607	909,607	909,576	31
Total cultural	1,517,451	1,517,451	1,514,961	2,490
Total recreation and cultural	2,412,536	2,412,536	2,400,312	12,224
Community and Economic Development				
City Planning Commission	629,326	629,326	623,223	6,103
Zoning Board of Appeals	124,154	124,154	105,630	18,524
Total community and economic development	753,480	753,480	728,853	24,627
Employee Benefits, Insurance, and Other				
Total expenditures	\$ 50,209,213	\$ 50,709,213	\$ 49,459,679	\$ 1,249,534

City of Livonia, Michigan

	Community Recreation			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,564,743	\$ 3,564,743	\$ 3,544,624	\$ (20,119)
Charges for services	3,481,155	3,556,155	3,546,900	(9,255)
Interest	65,000	65,000	163,839	98,839
Miscellaneous revenue	-	-	2,463	2,463
Total revenues	7,110,898	7,185,898	7,257,826	71,928
Expenditures				
Sanitation	-	-	-	-
Recreation and culture	4,589,957	4,908,899	4,489,471	419,428
Transfers out	2,181,545	2,181,545	2,172,801	8,744
Total expenditures	6,771,502	7,090,444	6,662,272	428,172
Excess of Revenues Over (Under) Expenditures	339,396	95,454	595,554	500,100
Fund Balance - Beginning of year	5,041,766	5,041,766	5,041,766	-
Fund Balance - End of year	<u>\$ 5,381,162</u>	<u>\$ 5,137,220</u>	<u>\$ 5,637,320</u>	<u>\$ 500,100</u>

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended November 30, 2005

Refuse			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 11,684,004	\$ 11,684,004	\$ 11,619,633	\$ (64,371)
105,000	105,000	82,173	(22,827)
75,000	75,000	167,861	92,861
10,000	10,000	12,109	2,109
11,874,004	11,874,004	11,881,776	7,772
12,517,664	12,651,413	11,133,516	1,517,897
-	-	-	-
-	-	-	-
12,517,664	12,651,413	11,133,516	1,517,897
(643,660)	(777,409)	748,260	1,525,669
4,629,699	4,629,699	4,629,699	-
\$ 3,986,039	\$ 3,852,290	\$ 5,377,959	\$ 1,525,669

City of Livonia, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
11/30/98	\$ 177,035 *	\$ 151,085	\$ (25,950)	117.2	\$ 20,653	(125.6)
11/30/99	184,782 *	149,052	(35,730)	124.0	18,684	(191.2)
11/30/00	192,477 *	148,670	(43,807)	129.5	17,132	(255.7)
11/30/01	200,937 *	151,438	(49,499)	132.7	16,721	(296.0)
11/30/02	199,627 *	159,272	(40,355)	125.3	17,285	(233.5)
11/30/03	203,505 *	159,900	(43,605)	127.3	17,109	(254.9)
11/30/04	199,578 *	164,378	(35,200)	121.4	16,070	(219.0)

* Valued using the five-year "smoothed funding" market value

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1999	\$ 1,919,594	100
2000	837,116	100
2001	645,335	100
2002	417,464	100
2003	392,639	100
2004	-	100
2005	-	100

City of Livonia, Michigan

Required Supplemental Information (Continued)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Aggregate
Amortization method	Level percent, closed
Remaining amortization period	Expected future working lifetime
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases, including inflation at 4.75%	4.75%-12.67%

City of Livonia, Michigan

Required Supplemental Information Postemployment Benefit Plans Schedule of Funding Progress (000s omitted)

The following schedules include both the Postemployment Health Care Benefit Plan and the Retiree Health and Disability Benefits Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
11/30/98	\$ 23,250 *	\$ 51,118	\$ 27,868	45.5	\$ 28,989	96.1
11/30/99	24,360 *	61,357	36,997	39.7	30,375	121.8
11/30/00	25,337 *	71,464	46,127	35.5	31,529	146.3
11/30/01	**	**	**	**	**	**
11/30/02	**	**	**	**	**	**
11/30/03	30,475	104,386	73,911	29.2	34,084	216.8
11/30/04	37,690	110,156	72,466	34.2	33,355	217.3

* Valued using the five-year "smoothed funding" market value

** Information not available

Schedule of Employer Contributions

Year Ended November 30	Annual Required Contribution	Percentage Contributed
1999	\$ 3,066,032	100
2000	3,542,404	100
2001	4,318,306	100
2002	4,575,001	100
2003	4,960,217	100
2004	5,859,287	100
2005	5,534,608	100

City of Livonia, Michigan

Required Supplemental Information (Continued) **Postemployment Benefit Plans** **Actuarial Assumptions** **(000s omitted)**

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period:	
Health	50 years
Disability	30 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected annual premium increases, including inflation at 4.75%	10.75%

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2005

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Major Special Revenue Funds			
			Community Recreation		Refuse	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 49,800,610	\$ 47,297,314	\$ 7,257,826	\$ 4,489,471	\$ 11,881,776	\$ 11,133,516
Operating transfers budgeted as revenue and expenditures	40,000	2,162,365	-	2,172,801	-	-
Amounts per budget statement	<u>\$ 49,840,610</u>	<u>\$ 49,459,679</u>	<u>\$ 7,257,826</u>	<u>\$ 6,662,272</u>	<u>\$ 11,881,776</u>	<u>\$ 11,133,516</u>

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 15, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. As provided for by the City Charter, not later than November 1, the Council shall adopt the budget through the passage of a budget resolution and transmit the budget to the mayor. Not later than November 15, the mayor shall either approve or disapprove the adopted budget, in whole or in part.

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2005

Note 2 - Budgetary Information (Continued)

4. The legislative budget is adopted at a functional level for the General Fund, and at the fund level for other governmental and proprietary funds. The budget document presents information by fund, function, department, and line items. Management may amend the budget at the detail level within the legislative summary constraints. Appropriations that exceed the summary budget constraints require City Council approval.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances.

Other Supplemental Information

City of Livonia, Michigan

	Special Revenue Funds					
			Grants and SAD		Public Safety	
	Major Streets	Local Streets	Street Lighting	Cable Television	Library	Communication
Assets						
Cash and investments	\$ 2,393,504	\$ 1,065,631	\$ 130,101	\$ 1,127,084	\$ 879,767	\$ 1,994,784
Receivables:						
Taxes	-	-	-	-	11,118	-
Special assessments	-	-	2,869	-	-	-
Other	6,994	-	-	-	3,625	36,298
Due from other funds	-	-	-	-	-	-
Due from other governmental units	657,759	249,204	984,821	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	<u>\$ 3,058,257</u>	<u>\$ 1,314,835</u>	<u>\$ 1,117,791</u>	<u>\$ 1,127,084</u>	<u>\$ 894,510</u>	<u>\$ 2,031,082</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 10,497	\$ 741	\$ 829,035	\$ 1,983	\$ 113,264	\$ -
Accrued and other liabilities	-	-	25,884	9,643	94,581	-
Deferred revenue	-	-	66,813	-	8,943	-
Due to other funds	-	-	-	-	-	-
Total liabilities	10,497	741	921,732	11,626	216,788	-
Fund Balances						
Reserved for capital construction	-	-	-	-	-	-
Unreserved - Undesignated	3,047,760	1,314,094	196,059	1,115,458	677,722	2,031,082
Total fund balances	3,047,760	1,314,094	196,059	1,115,458	677,722	2,031,082
Total liabilities and fund balances	<u>\$ 3,058,257</u>	<u>\$ 1,314,835</u>	<u>\$ 1,117,791</u>	<u>\$ 1,127,084</u>	<u>\$ 894,510</u>	<u>\$ 2,031,082</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
November 30, 2005**

Special Revenue Funds		Debt Service Funds			
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	2005 MBA Refunding	Municipal Building Authority and Other
\$ 1,431,021	\$ 1,195,895	\$ 19,092	\$ 1,626	\$ -	\$ -
-	12,225	3,743	-	-	-
-	-	-	22,900	-	-
-	-	-	-	-	-
-	131,387	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	82,985
<u>\$ 1,431,021</u>	<u>\$ 1,339,507</u>	<u>\$ 22,835</u>	<u>\$ 24,526</u>	<u>\$ -</u>	<u>\$ 82,985</u>
\$ 25,518	\$ 321,693	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	9,833	3,011	21,237	-	-
-	-	-	-	-	-
25,518	331,526	3,011	21,237	-	-
-	-	-	-	-	-
<u>1,405,503</u>	<u>1,007,981</u>	<u>19,824</u>	<u>3,289</u>	<u>-</u>	<u>82,985</u>
<u>1,405,503</u>	<u>1,007,981</u>	<u>19,824</u>	<u>3,289</u>	<u>-</u>	<u>82,985</u>
<u>\$ 1,431,021</u>	<u>\$ 1,339,507</u>	<u>\$ 22,835</u>	<u>\$ 24,526</u>	<u>\$ -</u>	<u>\$ 82,985</u>

City of Livonia, Michigan

Capital Projects Funds					
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Golf Course Capital Improvement	Capital Improvement
Assets					
Cash and investments	\$ -	\$ 116,210	\$ -	\$ 399,447	\$ 1,237,385
Receivables:					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Restricted assets	110,549	-	1,470,108	-	-
Total assets	<u>\$ 110,549</u>	<u>\$ 116,210</u>	<u>\$ 1,470,108</u>	<u>\$ 399,447</u>	<u>\$ 1,237,385</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 28,842
Accrued and other liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	28,842
Fund Balances					
Reserved for capital construction	110,549	-	1,470,108	-	-
Unreserved - Undesignated	-	116,210	-	399,447	1,208,543
Total fund balances	110,549	116,210	1,470,108	399,447	1,208,543
Total liabilities and fund balances	<u>\$ 110,549</u>	<u>\$ 116,210</u>	<u>\$ 1,470,108</u>	<u>\$ 399,447</u>	<u>\$ 1,237,385</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
November 30, 2005**

Capital Projects Funds			
Special Assessments	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ 268,845	\$ -	\$ 547,488	\$ 12,807,880
-	-	-	27,086
486,197	-	-	511,966
-	-	-	46,917
-	-	-	131,387
-	-	-	1,891,784
-	-	-	1,663,642
\$ 755,042	\$ -	\$ 547,488	\$ 17,080,662
\$ 29,072	\$ -	\$ -	\$ 1,360,645
-	-	-	130,108
417,076	-	-	526,913
-	-	-	-
446,148	-	-	2,017,666
-	-	-	1,580,657
308,894	-	547,488	13,482,339
308,894	-	547,488	15,062,996
\$ 755,042	\$ -	\$ 547,488	\$ 17,080,662

City of Livonia, Michigan

Special Revenue Funds						
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,650,160	\$ -
Special assessments			911,395	-	-	-
Intergovernmental revenue:						
State and local	4,584,477	1,736,964	495,607	-	-	-
Federal	-	-	1,598,580	-	-	-
Charges for services	-	-	51,842	-	282,907	642,157
Interest	55,295	21,619	170	24,022	40,478	37,125
Fines and forfeitures	-	-	-	-	68,807	-
Miscellaneous revenue	-	4,400	99,704	535,796	-	-
Total revenue	4,639,772	1,762,983	3,157,298	559,818	4,042,352	679,282
Expenditures						
General government	-	-	109,160	-	-	-
Public safety	-	-	546,617	-	-	34,944
Public works	2,483,074	1,693,943	905,096	-	-	-
Recreation and culture	-	-	540,486	520,258	3,892,457	-
Community and economic development	-	-	1,033,961	-	-	-
Capital outlay	-	-	-	-	-	-
Debt - Principal retirement	-	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-	-
Total expenditures	2,483,074	1,693,943	3,135,320	520,258	3,892,457	34,944
Excess of Revenue Over (Under)						
Expenditures	2,156,698	69,040	21,978	39,560	149,895	644,338
Other Financing Sources (Uses)						
Proceeds from the issuance of long-term debt	-	-	-	-	-	-
Payments to escrow agents for bond refunding	-	-	-	-	-	-
Transfers in	-	1,499,999	-	-	515,000	-
Transfers out	(1,699,999)	(1,700,000)	-	(40,000)	(498,750)	-
Total other financing sources (uses)	(1,699,999)	(200,001)	-	(40,000)	16,250	-
Net Change in Fund Balances	456,699	(130,961)	21,978	(440)	166,145	644,338
Fund Balances - Beginning of year	2,591,061	1,445,055	174,081	1,115,898	511,577	1,386,744
Fund Balances - End of year	\$ 3,047,760	\$ 1,314,094	\$ 196,059	\$ 1,115,458	\$ 677,722	\$ 2,031,082

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended November 30, 2005

Special Revenue Funds		Debt Service Funds			
Adjudicated Forfeitures	Roads and Sidewalks	1990 Street Improvement	Special Assessments	2005 MBA Refunding	Municipal Building Authority and Other
\$ -	\$ 4,012,023	\$ 1,242,555	\$ -	\$ -	\$ -
-	-	-	39,095	-	-
-	-	-	-	-	-
462,194	-	-	-	-	-
-	-	-	-	-	-
19,858	77,450	285	3,454	-	7,829
613,215	-	-	-	-	-
13	20,293	-	-	-	-
1,095,280	4,109,766	1,242,840	42,549	-	7,829
-	-	-	-	-	-
351,977	-	-	-	-	-
-	6,795,913	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,135,000	160,000	-	1,716,127
-	-	100,325	5,256	94,359	1,844,279
351,977	6,795,913	1,235,325	165,256	94,359	3,560,406
743,303	(2,686,147)	7,515	(122,707)	(94,359)	(3,552,577)
-	-	-	-	3,730,000	-
-	-	-	-	(3,689,300)	-
-	1,900,000	-	-	53,659	3,162,922
-	-	-	-	-	(87,646)
-	1,900,000	-	-	94,359	3,075,276
743,303	(786,147)	7,515	(122,707)	-	(477,301)
662,200	1,794,128	12,309	125,996	-	560,286
\$ 1,405,503	\$ 1,007,981	\$ 19,824	\$ 3,289	\$ -	\$ 82,985

City of Livonia, Michigan

	Capital Projects Funds			
	Street Improvement	Drainage Projects Construction	1990 Street Improvement	Golf Course Capital Improvement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental revenue:				
State and local	-	-	-	-
Federal	-	-	-	-
Charges for services	-	-	-	143,742
Interest	3,113	2,540	27,361	7,050
Fines and forfeitures	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenue	3,113	2,540	27,361	150,792
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Community and economic development	-	-	-	-
Capital outlay	382,925	-	-	18,611
Debt - Principal retirement	-	-	-	-
Debt - Interest and other	-	-	-	-
Total expenditures	382,925	-	-	18,611
Excess of Revenue Over (Under)				
Expenditures	(379,812)	2,540	27,361	132,181
Other Financing Sources (Uses)				
Proceeds from the issuance of long-term debt	-	-	-	-
Payments to escrow agents for bond refunding	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	(379,812)	2,540	27,361	132,181
Fund Balances - Beginning of year	490,361	113,670	1,442,747	267,266
Fund Balances - End of year	\$ 110,549	\$ 116,210	\$ 1,470,108	\$ 399,447

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended November 30, 2005

Capital Projects Funds				
Capital Improvement	Special Assessments	Community Recreation Construction	Court Building Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 8,904,738
-	154,235	-	-	1,104,725
-	-	-	-	6,817,048
-	-	-	-	2,060,774
-	-	-	294,926	1,415,574
11,769	29,189	1,196	8,676	378,479
-	-	-	-	682,022
30,000	227,009	-	-	917,215
41,769	410,433	1,196	303,602	22,280,575
-	-	-	-	109,160
-	-	-	-	933,538
-	-	-	-	11,878,026
-	-	-	-	4,953,201
-	-	-	-	1,033,961
406,212	647,296	205,738	-	1,660,782
-	-	-	-	3,011,127
-	-	-	-	2,044,219
406,212	647,296	205,738	-	25,624,014
(364,443)	(236,863)	(204,542)	303,602	(3,343,439)
-	-	-	-	3,730,000
-	-	-	-	(3,689,300)
843,624	-	-	-	7,975,204
-	-	-	-	(4,026,395)
843,624	-	-	-	3,989,509
479,181	(236,863)	(204,542)	303,602	646,070
729,362	545,757	204,542	243,886	14,416,926
\$ 1,208,543	\$ 308,894	\$ -	\$ 547,488	\$ 15,062,996

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Net Assets Pension and Other Employee Benefit Trust Funds November 30, 2005

	Employees' Retirement System (Note 10)		VEBA (Note 12)	Total
Assets				
Cash and cash equivalents	\$ 1,006,705	\$ -	\$ 1,006,705	
Investments:				
U.S. government securities	35,063,792	8,788,402	43,852,194	
Common stock	99,947,413	8,324,360	108,271,773	
Corporate bonds	35,794,366	7,093,330	42,887,696	
Foreign stock	2,740,307	491,790	3,232,097	
Mutual funds	10,122,471	13,944,940	24,067,411	
Real estate investment trust	10,000,000	-	10,000,000	
Investments held by broker-dealer and banks under securities loans:				
U.S. government securities	435,203	-	435,203	
U.S. corporate fixed income	367,773	-	367,773	
U.S. equities	10,867,653	-	10,867,653	
Securities lending short-term collateral bank investment pool	12,118,448	-	12,118,448	
Other receivables	467,375	563,896	1,031,271	
Total assets	218,931,506	39,206,718	258,138,224	
Liabilities				
Accounts payable	331,704	18,220	349,924	
Accrued and other liabilities	669,974	-	669,974	
Amounts due to broker under securities lending agreement	12,118,448	-	12,118,448	
Total liabilities	13,120,126	18,220	13,138,346	
Net Assets - Reserved				
Employees' Retirement System	202,758,855	-	202,758,855	
Employees' postemployment health care and disability benefits	3,052,525	39,188,498	42,241,023	
Total net assets	\$ 205,811,380	\$ 39,188,498	\$ 244,999,878	

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended November 30, 2005

	Employees' Retirement		
	System (Note 10)	VEBA (Note 12)	Total
Additions			
Investment income:			
Interest and dividends	\$ 6,918,739	\$ 896,514	\$ 7,815,253
Settlement Income	1,209,947	-	1,209,947
Net appreciation in fair value of investments	12,864,319	2,157,379	15,021,698
Less investment expenses	<u>(501,035)</u>	<u>(40,692)</u>	<u>(541,727)</u>
Net investment income	20,491,970	3,013,201	23,505,171
Securities lending income:			
Interest and fees	613,457	-	613,457
Less borrower rebates and bank fees	<u>(586,237)</u>	<u>-</u>	<u>(586,237)</u>
Total lending income	27,220	-	27,220
Contributions:			
Employer	-	5,534,608	5,534,608
Employee	<u>529,975</u>	<u>-</u>	<u>529,975</u>
Total contributions	<u>529,975</u>	<u>5,534,608</u>	<u>6,064,583</u>
Total additions	21,049,165	8,547,809	29,596,974
Deductions			
Benefit payments	11,047,222	15,207	11,062,429
Medical benefit payments	4,446,697	499,588	4,946,285
Administrative expenses	131,246	32,863	164,109
Refunds of contributions	<u>330,438</u>	<u>-</u>	<u>330,438</u>
Total deductions	<u>15,955,603</u>	<u>547,658</u>	<u>16,503,261</u>
Net Increase	5,093,562	8,000,151	13,093,713
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>200,717,818</u>	<u>31,188,347</u>	<u>231,906,165</u>
End of year	\$ 205,811,380	\$ 39,188,498	\$ 244,999,878

City of Livonia, Michigan

**Federal Awards
Supplemental Information
November 30, 2005**

City of Livonia, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the basic financial statements of City of Livonia for the year ended November 30, 2005 and have issued our report thereon dated February 14, 2006. Those basic financial statements are the responsibility of the management of City of Livonia. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of City of Livonia taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 14, 2006



A worldwide association of independent accounting firms



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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

We have audited the financial statements of City of Livonia as of and for the year ended November 30, 2005 and have issued our report thereon dated February 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Livonia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Livonia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

This report is intended solely for the information and use of the city council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 14, 2006



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Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Compliance

We have audited the compliance of City of Livonia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended November 30, 2005. The major federal programs of City of Livonia are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Livonia's management. Our responsibility is to express an opinion on City of Livonia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Livonia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Livonia's compliance with those requirements.

In our opinion, City of Livonia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2005.

To the Honorable Mayor and
Members of the City Council
City of Livonia, Michigan

Internal Control Over Compliance

The management of City of Livonia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Livonia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the city council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 14, 2006

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards Year Ended November 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grant:				
Program year 2003 - B03 MC-26-0008	14.218	N/A	\$ 506,000	\$ 121,697 (1)
Program year 2004 - B04 MC-26-0008	14.218	N/A	487,000	645,125 (1)
Program year 2005 - B05 MC-26-0008	14.218	N/A	456,290	<u>194,549 (1)</u>
Total Community Development Block Grant				961,371
Passed through the Michigan State Housing Development Authority - HOME Investment Partnership - Program year 2003	14.239	M-2002-5068	277,200	<u>219,374</u>
Total U.S. Department of Housing and Urban Development				1,180,745
U.S. Department of Health and Human Services - Passed through State of Michigan Department of Community Health - Senior Center Staffing	13.635 13.635	Project 9/30/04 Project 9/30/05	2,218 6,976	368 <u>5,812</u>
Total U.S. Department of Health and Human Services				6,180
U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety Planning:				
Challenge Award Grant	20.604	PT-05-07	5,000	5,000
Drive Michigan Safely Task Force	20.600	PT-05-19	289,751	<u>47,493</u>
Total U.S. Department of Transportation				52,493
U.S. Department of Homeland Security - Passed through the Michigan Department of State Police:				
Emergency Preparedness and Response Grant	97.044	N/A	98,042	92,537
Assistance to Firefighters	97.044	FG-21956	119,684	107,144
2003 SHSGP I Assessment & Strategy	97.004	NONE	67,147	52,166
2003 SHSGP Exercise Grant	97.004	NONE	43,000	42,900
2003 SHSGP Exercise Grant	97.004	NONE	17,000	16,973
2004 Homeland Security Grant	97.004	NONE	564,896	385,578
Emergency Management Performance Grant	83.552	NONE	5,975	5,975
2002 Pre-Disaster Mitigation Grant	83.557	NONE	35,000	<u>1,806</u>
Total U.S. Department of Homeland Security				705,079

(1) Current year expenditures include use of program income from housing rehabilitation and City-owned homes.

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended November 30, 2005

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Justice:				
2004 Local Law Enforcement Block Grants Program	16.592	N/A	\$ 15,787	\$ 7,641
2003 Local Law Enforcement Block Grant Program	16.592	N/A	34,669	<u>34,359</u>
Total Local Law Enforcement Block Grants Program				42,000
Drug Enforcement Administration Task Force	16.unknown	N/A	29,260	16,324
Federal Equitable Sharing Program	16.000	N/A	272,868	272,868
Passed through the Michigan State Police - Internet Crimes Against Children	16.543	NONE	30,000	<u>15,000</u>
Total U.S. Department of Justice				346,192
U.S. Department of Agriculture:				
Passed through the State of Michigan Department of Natural Resources:				
DNR Tree Planting Grant	10.664	EAB-04-21	20,000	20,000
Arbor Day Mini-Grant	10.664	AD-05-13	200	200
Passed through the Michigan Department of Agriculture - Department of Agriculture Ash Borer Tree Removal	10.025	791N4002274	82,044	<u>2,760</u>
Total U.S. Department of Agriculture				22,960
U.S. Department of Labor - Passed through the State of Michigan Department of Natural Resources - Passed through Library of Michigan - Reed Act Library Grant	17.207	NONE	13,768	12,724
U.S. Environmental Protection Agency - Passed through Wayne County, Michigan - Rouge River National Wet Weather Demonstration Project:				
Idyl Wyld Retention Facility - U2-09	66.606	NONE	180,000	21,316
Idyl Wyld Regional Storm Water Treatment Facility (IIA-26)	66.606	X 995743-05-0	345,850	345,850
Ann Arbor Trail Project	66.606	X 995743-08-1	132,880	<u>131,387</u>
Total U.S. Environmental Protection Agency				<u>498,553</u>
Total federal awards				<u><u>\$ 2,824,926</u></u>

City of Livonia, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended November 30, 2005

Revenue from federal sources:	
As reported in the governmental funds	\$ 2,328,257
Included in capital contributed in Water and Sewer Fund	<u>498,553</u>
 Total revenue from federal sources - As reported in the basic financial statements	 2,826,810
 Add federal revenue reported as other revenue	 253,995
 Less federal drug forfeiture revenues in excess of expenditures	 (254,979)
 Less other grant revenue reported as federal revenue	 <u>(900)</u>
 Federal expenditures per the schedule of expenditures of federal awards	 <u><u>\$ 2,824,926</u></u>

City of Livonia, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended November 30, 2005

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Livonia and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended November 30, 2005 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Passed through the Wayne Metropolitan Community Services Agency	10.569	USDA Food Distribution	\$ 26,966

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 13,782

City of Livonia, Michigan

Schedule of Findings and Questioned Costs Year Ended November 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant
97.004	Homeland Security
66.606	Rouge River National Wet Weather Demonstration Project

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

City of Livonia, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended November 30, 2005

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

City of Livonia, Michigan

Summary Schedule of Prior Audit Findings Year Ended November 30, 2005

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2004-2005	2004-I	Community Development Block Grant The Consolidated Annual Performance and Evaluation Report (CAPER) should include all expenditures and program income for the program year in the financial summary section of the report. The City did not include the proper program expenditures and program income in the 2004 program year in the financial summary section of the 2004 CAPER.	14.218	None	The City has amended the 2004 CAPER with HUD to make the appropriate corrections.

February 14, 2006

The Honorable Mayor and Members
of the City Council
City of Livonia
33000 Civic Center Drive
Livonia, MI 48154-3097

Dear Mayor and Council Members:

We recently completed our audit of the basic financial statements of the City of Livonia for the year ended November 30, 2005. As a result of our audit, we have the following comments and recommendations for your review and consideration.

STATE SHARED REVENUE

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The Governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

State shared revenue accounts for approximately 18.5% of the City's total General Fund revenue. The table below details state shared revenue for the City of Livonia from 2000 forward by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2000.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2000</u>
2000	\$4,375,886	\$ 6,836,339	\$11,212,225	\$ ---
2001	\$4,667,824	\$6,524,585	\$11,202,409	\$9,816
2002	\$4,257,760	\$6,591,046	\$10,848,806	\$363,419
2003	\$3,665,960	\$6,702,630	\$10,368,590	\$843,635
2004	\$2,668,973	\$6,629,826	\$9,318,799	\$1,893,426
2005	\$2,429,180	\$6,788,044	\$9,217,224	\$1,995,001
2006 est.	\$2,201,032	\$6,957,407	\$9,158,439	\$2,053,786

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$2,201,032 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the City as developments occur. The statutory formula expires in 2007 and requires action by Michigan Legislature..

TRANSPORTATION MATTERS

The State experienced lower than anticipated Act 51 receipts for the State's 2004/2005 fiscal year which ended September 30, 2005. Plante & Moran publishes annually forecasted Act 51 distribution rates which we receive from the State and are based on its forecast of anticipated collections at the State level. If actual collections are less than amounts forecasted by the Michigan Department of Transportation, this could likely result in revenue less than budgeted amounts in the City's Major and Local Street Fund. There is also a concern about the State's forecast for fiscal year 2005/2006. We encourage the City to be conservative in budgeting Major and Local Street Fund revenue.

In 2004, the legislature modified Act 51 to allow local governments to transfer monies from their Major Street Fund to their Local Street Fund if a surplus existed. As a condition of the transfer, the amended law requires that certain conditions be met, including the adoption of an asset management process for the Major and Local Street systems. It is important to note that these provisions sunset December 31, 2008. Without an extension of this provision, a transfer from the Major Street Fund to the Local Street Fund can only be done to the extent that local revenues exist in the Major Street Fund. There is currently legislation proposed that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

February 14, 2006

LOCAL GOVERNMENT FINANCE MODEL

In 2005, the Governor created a Local Government Fiscal Task Force to study the financial challenges of Michigan local governments. While their report was originally due by November 30, 2005, the Local Government Fiscal Task Force held its first meeting in September 2005. A report from this group is expected in 2006. Unrelated to the Local Government Fiscal Task Force, Citizens Research Council is conducting a study focused on documenting the nature and extent of structural fiscal problems facing local governments, and to catalogue local services and activities for local units (with the intention that local governments will use this information to study the possibility of greater collaborative efforts to optimize government resources).

TAX MATTERS

The Governor and the Legislature spent considerable time in 2005 on business tax reform with specific focus on the Michigan Single Business Tax. The final approved business tax reform plan appears to spare local governments from any direct negative impact of the changes. A key component to this plan is a significant credit on personal property taxes paid by certain businesses. Many questions have arisen from these proposals such as who determines the property that qualifies for credit, how will local governments be reimbursed by the State for the lost tax revenue as is the stated intention, etc. Currently, the plan as passed provides for a personal property tax credit for certain businesses on their Michigan Single Business Tax return.

The loophole involving the inconsistent treatment of the assessment of commercial property is commonly referred to as the "WPW Case" involving the City of Troy, and was discussed in the Fall 2005 legislative session. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases resulting in a permanent taxable cap on property (subject to annual inflationary increases). This method of assessing commercial property (known as the "occupancy method") has been used by assessors to give commercial property owners a break when occupancy of their property has decreased and then to restore the taxable value of the property consistent with previous levels when occupancy increases. There are two bills in the House currently (House Bills 5096 and 5097) that have received hearings and consideration which would address this matter.

TAXING MUNICIPAL RECREATION OPERATIONS

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations but other recreation operations (such as ice arenas) could become part of the scope. There have been hearings on the subject and it is not clear which direction this issue will take in the fall.

TELECOMMUNICATIONS ACT CHANGES

Changes were made by the Legislature to restrict the ability of local governments to engage in telecommunications activities. Additionally, threats exist at both the Federal and State level to restrict or eliminate the ability of local governments to regulate and franchise cable television, which would impact franchise fees received by local governments. The City of Livonia could be at risk of losing up to \$1,070,000. We encourage the City to monitor their developments closely given the impact that a reduction in cable franchise fees could have on the City's budget.

POST-EMPLOYMENT BENEFITS

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to post-employment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. The City will be required to implement GASB 43 and GASB 45 in fiscal years ending November 30, 2008 and November 30, 2009 respectively.

GASB 43 and 45 require a governmental unit to measure its retiree health care liability through actuarial valuations that are to be performed at least biennially. These valuations compute an annual required contribution (ARC). The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less.

Unlike most cities, Livonia anticipated the significance of these costs and in 1986 began accumulating funds on an actuarial basis for future health care payments. While the City is already having actuarial valuations prepared and making an annual contribution, the VEBA plan is currently using a 50 year amortization period. Using this longer period will likely result in the City's contribution being less than the annual required contribution. A contribution less than the ARC would require the City to record a liability for the difference on the government-wide financial statements. We recommend that the City discuss the amortization period with the actuary to prepare for the new pronouncement.

The VEBA fund currently has approximately \$31 million dollars set aside for these costs. The following table shows the actuarial calculated funding progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio
11/30/98	\$ 23,250,000	\$ 51,118,000	\$ 27,868,000	45.5%
11/30/99	24,360,000	61,357,000	36,997,000	39.7%
11/30/00	25,337,000	71,464,000	46,127,000	35.5%
11/30/01	*	*	*	*
11/30/02	*	*	*	*
11/30/03	30,475,000	104,386,000	73,911,000	29.2%
11/30/04	37,690,000	110,156,000	72,465,000	34.2%

* Not provided by actuary

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POST-EMPLOYMENT BENEFITS (continued)

As noted above, the actuarial-calculated liability for retiree health care has more than doubled from \$51 million in 1998 to \$110 million in 2004. As a result, the City's contribution to fund these costs has almost doubled from \$3 million in 1998 to \$5.5 million in 2005.

During our testing, we noted that the City's health care reserve in the Postemployment Health Care Benefit Plan will be depleted during the 2005-06 fiscal year. After that time, the responsibility to pay for all post employment benefits will fall on the VEBA, which is not yet fully funded.

INTERNAL CONTROL AND FRAUD PREVENTION

Statement on Auditing Standards No. 99

We performed additional procedures during the audit as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in the Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit", the standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with key members of the administration and other employees throughout the organization; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. During our testing it came to our attention that virtually all personnel in the accounting and finance department have the ability to make manual journal entries. We recommend that the department review its current procedures and determine the individuals that need the ability to make journal entries and restrict access for those who do not.

In addition, we performed additional procedures related to time reporting in the Police Department. During our testing, we noted that the TeleStaff report does not accurately track overtime. This report is not used to pay employees for their overtime; however, it is used within the department to review overtime hours. We recommend that the department either work with the software provider to correct the error or use an accurate means to review overtime. In addition, we noted that timesheets for the Chief, Deputy Chief, Public Safety Director, and Captains are not required to be reviewed by another party. We recommend that procedures be put in place so that these timesheets are approved in a similar manner as the process followed by other department heads in the City.

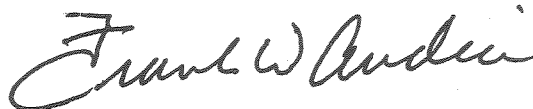
The Honorable Mayor and Members
Of the City Council
City of Livonia

February 14, 2006

We would like to thank the Mayor and City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC



Frank W. Audia



Brian J. Camiller